

Gorbachev's Dilemmas

Pulling Out Of Afghan Quagmire

Valentino Tereshiona le i oman in space, spole to 200 a il and spiritual leader the i global survival forum a fui retinz them that By Don Oberdorfer Washington Post Service

seland, telling them that a seland, telling them that a second a s wa. which orbited the lag The Soviet Union's fitful march mes aboard the Sovia la astok o in 1963, recent be out of the quagmire of Alghanistan began to develop within a month of Mikhail S. Gorhachev's rise 10 the head of the Sovie La ate-rus: International fat power in March 1985, but it took three more years of bloody stalean encousing Union the eings had to break into the salize how beautiful is there larret Earth." she said mate on the battlefield and hidden diplomacy in Moscow, Geneva and Washington to bring the impend-ing military withdrawal to the brink of reality.

Sandi Patri dominated is Like the United States in South RUSIC'S CTRUE showing & Vietnam, the Soviet Union failed at every turn and was forced in the again this tear b. wiming the end to move toward the exit with emain volation and the fer end to move toward the exit with emaie vocalist and any a only tenuous international cover. vear honors at the 196 a For Mr: Gorbachev, who was a Geospel Music Associatios I Awards in Nashville Tence nonvoting candidate member of was the fifth time Paulas. named artist of the year of December 1979, and who was not second consecutive wark taken the top tward Heray personally committed to the war, 1985 was a year of testing and temfemale v. cuist of the yearse porizing about Afghanistan, 1986 a year of showdowns on the hattlethe second consecute as has wan that honor Landi field and 1987 the year of decision ris. Steve Green, Warne Ik to withdraw. By no later than July 1987 the die was cast, but arranging and the group First Calve other artist of the year one. the pullout under the Geneva talks Harris, 2 four-time Grame isored by the United Nations 500 took nine months longer. ner from Louisville, Konde The Soviet march out of Afghannamed top male vocahs ad. istan is among the momentous events of the 1980s, likely to have writer of the year and share other Deve award for besie far-reaching impact on the Soviet tional album The Dore in sports and by the Goopeline system, on the international climate and relationships among nasectation and awarded on the

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the 3.200 GMA members tions. ple, whose growing antipathy to coffins and maimed and bitter solthe sone of the year flade, of the Lord with Parks diers coming home even the Kremand Gloria Gather



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This is the

beginning of a new post-Afghanistan world for us.' A Soviet official

the Politburo at the time of the post-Afghanistan world for us." decision to invade Afghanistan in said a Soviet official, interviewed in Moscow earlier this year. "Since World War II, every other major power bas lost a war: The British lost east of Suez, the French lost in Algeria, the United States lost in Vietnam. Until now it hadn't hap-pened to us, but now we will be like veryone else." Mr. Gorbachev's first major

move, in mid-1985, was an effort to turn the tide of war militarily under the command of one of the Soviet Army's most illustrious command-ers, General Mikhail M. Zaitsev. The next turning point, in early 1986, began with Mr. Gorbachev's declaration that the Afghan war ons. Inside the Soviet Union, the pull-doubtful long-term commitment.

terrurs And Lenter hat south from a highly unpopular war is were a Doubled hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south a double hat south from a highly unpopular war is the south from a highly unpopular litical solution, replacing him with Major General Najib, a hulking in could not ignore. What is less former chief of the Afghan secret predictable is the reaction of the Soviet Communist Party, military and public if, as is widely expected, the Macourt dominated Value and the police. The summer and fall of 1986 decisive - phase, over which the energetic Mr. Gorbachev had no and Islamic fundamentalists take control. The Reagan administra-

over another nation on Russia's tion, after much congressional southern border, adjacent to mil- prodding, sent sophisticated, heatseeking Stinger anti-aircraft missiles and other powerful new weap-oury to the Afglian resistance. oury to the Arguan resistance. The new equipment gave the mu-jabidin formidable advantages on the battlefield, particularly by de-priving the Soviet Union of uncon-tested control of the siz Faced with tested control of the air. Faced with this shift in the military balance. the Soviets chose not to match it

Party Inertia Hobbles His Reform Plan

ernment. litical change, many of Mr. Gorbachev's initiatives have

toned hy entrenched interests. The initiatives most affected are those that deal with economic change, including new programs and laws designed to decentralize the economy and give greater aulonomy to factory and farm managers, and policies aimed at inject-

party organizations. The attenuation does not seem to pose an immediate threat to Mr. leader, although there have been recent hints of political instability in the party leadership. Unconfirmed but widely be-

lieved reports of a bitter clash between Mr. Gorbachev and the par-tween Mr. Gorbachev and the par-ty's No. 2 official. Yegor K. Ligachev, have circulated in Mos-cow in recent days, Mr. Ligachev reportedly endorsed and helped mide into wint a neusrapper article guide into print a newspaper article last month that said liberalization

the Polithuro subsequently ap-proved a mild reprimand of Mr. Ligachey. The Politburo and Central Com-

mittee have generally approved Mr. Gorbachev's policies. The immediate problem lies primarily outside the leadership. It, in essence, is a recalcitrant political and economic

that his program bas encountered See SOVIET, Page 6

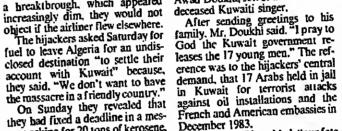
By Jonathan C. Randal Washington Post Service

ALGIERS - Hijackers holding 31 Arab hostages aboard a Kuwait Airways jumbo jet relented Sunday and gave the Algerian government more time to break the deadlock. The hijackers, believed to be pro-

Iranian Shiite Moslems, first ex-tended a deadline for leaving Alge-ria, then renewed threats to kill the 28 passengers and three crew members on the jet.

The midday message, relayed through the Algiers airport control extend" their deadline at the request of their "Algerian brothers" to allow the discussions to go for-

But Algerian sources acknowledged that they bad accomplished



sage asking for 20 tons of kerosene, or enough to power the plane's airtower, said the hijackers "agreed to extend" their deadline at the re-But there was no immediate confirmation from the Algerians that any such deadline had been set. Nor did the hijackers set any new deadline for their departure.

The threat Sunday to kill the little more than secure the release hostages - similar threats have

are around the bijacked aircraft. Io a flurry of diplomatic ex-changes believed linked with the passe. that Libya might be the oext desti- able interlocutor for the hijaekers. then diverted to Mesbed, in north- they killed two captives at Larnaca, eastern Iran. and then to Cyprus, Cyprus, and their remaining capbefore landing in Algiers. But Colonel Gadhafi, now seek-Kuwaiti royal family.

control tower.

of a diabetic bostage since the 747 been made almost daily — was ing to improve his image abroad, landed in Algiers on Wednesday. The sources added that, without sage from a bostage named Fahmi Libya's past role as a bayen for Libya's past role as a baven for terrorists, according to Western

onstrators using the aggressive lactics that led to a sudden jump in the diplomats. Moreover, Shiite Moslems, espedeath toll two weeks ago. cially Lebanese, still blame him for The worst violence was in the Gaza Strip, which was Mr. Wazir's bome for 15 years. Plumes of black the unsolved disappearance of Imam Moussa Sadr, the Iranian

born leader of Lebanese Shutes, He smoke from makeshift hurning smoke from makeshift norming barricades were visible across the strip, and the streets of Gaza City were filled with grim young men wielding stones and bottles and disappeared while on a visit to Libin Kuwait for terrorist attacks ya in 1978. In other exchanges, the Algerian president, Chadli Bendjedid, talked on the telephone with King Fahd of waiting to confront army patrols.

"Otherwise," he added, "our fate Saudi Arabia and Sheikh Jaber al-will be black." The phrase is an Ahmad as-Sabah, the ruler of Kuthat Israeli troops opened fire in several areas without warning. Arabic locution for death. "The passengers are all well." The substance of their discus-in the passengers are all well." The substance of their discus-sions was not disclosed, but they wait.

presumably deall with the hijack-Meanwhile, airport security was ing. Meanwhile, airport security was Meanwhile, sources close to the tightened with armed policemen appearing on the roof of the main Palestine Liberation Organization

The toll Saturday brings to at least 142 the oumber of Arabs killed since the Palestinian uprising town of Anabia. Other major West Kalkilya and Tulkarm --- were declared closed military zones. Jour-1°,2

changes believed linked with the passe. hijacking, the Algerian foreign minister, Ahmad Taleh Ibrahimi, charge of discussions that led to the conferred Saurday with the Liby-an leader, Colonel Moammar Gad-Taleh Taleh Ibrahimi, charge of discussions that led to the soldier and one civilian, also have been killed. Taleh Ibrahimi, charge of the man reserve the blaned the bijecking to the soldier and one civilian, also have been killed. an reduct, Corollet Modulinat Ode hafi, in Tripoli, according to the official Algerian news agency. The meeting set off speculation doubt the PLO would be an accept-the the meeting set off speculation the set of speculation doubt the pLO would be an accept-the set off speculation doubt the pLO would be an acceptnation for Kuwali Alrways right the injackers released a total of town of Anahia. Other major west 422, which was hijacked April 5 on 71 hostages during stops at Bank population centers — includ-its way from Bangkok to Kuwait, Meshed, Cyprus and Algiers. But ing Hebron, Bethlehem, Ramallah, The hijackers released a total of tives include three members of the

"From reports we have, they used no warning shots, no tear gas and no robber bullets — they just opened fire," said Bernard Mills, head of the UN Relief and Works

appearing on the root of the main raissing Liberation Organization Agency operations there. An Israeli regular intervals on the apron in an asked to renew their role as negoti-

Seal Off

Enclaves

Death Toll at 14

After Riots Over

PLO Aide's Death

By Glenn Frankel

Washington Post Service JERUSALEM — The Israeli

Army sealed off most of the occupied West Bank and Gaza Strip on

Sunday and imposed curfews on nearly a half million Palestinians

following a wave of violence pro-

testing the assassination of a senior Palestinian Liberation Organiza-

At least 14 Arabs were killed Saturday by Israeli troops in the bloodiest violence yet in the occu-

pied territories as Palestinians

demonstrated their anger over the

Israel is widely believed to have

carried out the killing of the No. 2

killing Saturday in Tunis of Khalil

al-Wazir, better known as Abu Ji-had, who was Yasser Arafai's se-

Both the Gaza Strip and the

West Bank crupted following radio

reports of Mr. Wazir's death.

Thousands of mourners took to the

streets carrying Palestinian flags and staging mock funerals in sever-al major towns and refugee camps.

In some places, the army backed

off, allowing mourners to vent their

anger without confrontation, But

in others, soldiers waded into dem-

United Nations officials asserted

PLO leader. Page 6.

nior military deputy.

non leader.



steadily lost force, diluted and dis-

ing new vitality and flexibility into

Gorbachev's position as Soviet

was going too far under Mr. Gor-hachev. According to the reports,

ward.

Mr. Gorbacbey, clearly aware

As West Bank protests continued, Israeli troops fired live ammunition and rubber bullets Sunday at demonstrators in El Hader. **Hijackers Give Mediators More Time**

Awad Doukhi, son of a well-known a hreaktbrough, which appeared increasingly dim, they would not object if the airliner flew elsewhere. The hijackers asked Saturday for fuel to leave Algeria for an undisclosed destination "to settle their account with Kuwait" because,

Of a 2d Airline MULARICAL NATIONAL USING WASHINGTON (Reuters) - Transportation Secretary James H. Burnley 4th said Sunday that the government would undertake a major safety investigation of Continental Airlines Inc., similar to one EARN UNIVERSITI ANE being conducted into Eastern Air Lines Inc. Continental is the flagship

airline of Texas Air Corp., which also owns Eastern. Mr. Burnley said a review of Fedcral Aviation Administration files revealed almost \$1 miltion in potential fines pending against Continental

Klosk

U.S. Sets Study

Iraqi Offensive To Retake Faw KUWAIT — Iraq launched a large offeosive Sunday

aimed at driving Iranian forces off the Faw Peninsula, where Iranian military authorities said their forces were bombarded during the day with chemical weapons. The Iranians said "fierce fighting" was under way Sunday night. The surprise offensive took place on the first day of Rama-

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Classified Ad Guickly and is dan, the Moslem month of NATIONAL HERALD TRIBUTE fasting.

MONDAY Q&A

Camera Press Prime Minister Bob Hawke of Australia confronts his country's racial and economic problems. Page 2.

General News

Newly rich people in Japan are threatening to consume the middle-class consciousness of Page 7. the country. A project to build a futuristic laser for the SDI program is far behind schedule and short Page 3. of funds.

Business / Finance

Motorola Corp. is joining the ranks of companies making computer chips with the radical new RISC design. Page 15.

with an escalation of men o The political decisions that followed were played out in three cru-cial meetings between Mr. Gorbachev and General Najih.

In the first encounter, in mid-December 1986, Mr. Gorbachev socretly informed the Afghan that the Soviet troop commitment was limited and that the end game would begin in the summer of 1987, ac-cording to an Afghan official who later defected to the West.

The second meeting, on July 20, 1987, was to inform General Najib that the Soviet leadership was determined that their troops would be leaving in 12 months "whether you are ready or not," according to a Kremlin official.

The third meeting, on April 7 this year in Tashkent, a Soviet city near the Afghan border, sealed the final terms for the Soviet withdraw-al. Reports reaching the State Department suggest that General Nanb had to be pressured to agree, and that a Soviet commitment of future military aid to the Kabul government was among the topics discussed.

The current story begins with a Communist-led takeover of the Kabul government in April, 1978, and the entry of Soviet troops in De-

See QUAGMIRE, Page 5

IMF Adopts Aid Role in East Europe By Jackson Diehl

Washington Post Service

WARSAW - After years of watching from the sidelines, the In-Europe and is exerting a significant influence over the Soviel bloc's most important economic reform

Both Hungary and Yugoslavia, which have shunned the rigors of IMF stabilization programs in recent years, are now on the verge of receiving new "standby" loans from the agency and accepting 1MF performance criteria. The shift follows serious deterioration in the foreign debt status of the two countries during the last two years. In addition, IMF officials have agreed on an informal standby program with Poland for the last six months of this year, opening the way for the agency's first cooperative effort with Eastern Europe's

largest and most economically troubled debtor. If successful, the See IMF, Page 17

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PRAYERS FOR WARSAW VICTIMS - Mozesz Szapiro, an elder of the small remaining community of Jews in Warsaw, leading a prayer during an independent rally on Sunday that commemorated the 45th anniversary of the Jewish ghetto uprising against the Nazis. Page 6. See ISRAEL, Page 6

In Upstate N.Y., It's Dukakis

By R.W. Apple Jr. the Jewish vote.

BUFFALO, New York - There The Massachuseus governor bas are two ways to look at the electoral built what looks like an impregnadential primary in New York on Tuesday. calculus for the Democratic presi-

In New York City, the politi-cians remind everyone of the ethnic element and what it may mean to Governor Michael S. Dukakis of Massachusetts, the Reverend Jesse L. Jackson and Senator Albert Gore Jr. of Tennessee. About a Tuesday. Wednesday and Thursquarter of the electorate is Jewish. day showed that, among upstate they say, and about a quarter of it is

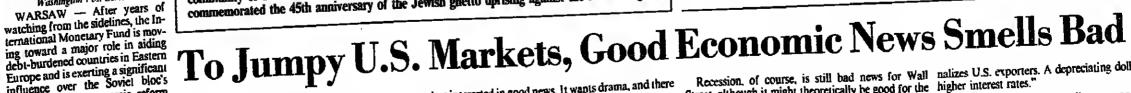
Upstate, the division is made along geographical lines. The re-gion has a bit more than half the primary vote in the five becaute than a tenth. A survey of Erie County, which includes the Buffalo area. produced primary vote in the five boroughs of the city, they say, less than a quarter in the city's suburbs and similar findings in greater depth. A slightly more man a quarter north of the Westchester County line in poll of 624 registered voters, taken by Goldhaber Research Associates on Monday and Tuesday, gave Mr. places such as Buffalo, Rochester Dukakis 52 percent, Mr. Jackson and Albany. For Mr. Dukakis, the key to vic- 17 percent, Mr. Gore 7 percent and

tory this year may lie upstate, de-spite all the storm downstate over is no longer campaigning actively. 1 percent, with 23 percent undecided. Mr. Jackson has almost twice as

big a share in statewide polls. Commenting on his poll, Gerald M. Goldhaber, head of the survey firm, said it showed that "Erie County's not ready for Jackson, they are ready for Cuomo and they'll settle for Dukakis if they gin, in large part because there are have no other choice." Mario M. more blacks supporting Mr. Jack-son in the New York City area than Cuonio, the governor of New York, insisted last week that he would not there are upstate. A CBS News Poll conducted accept a draft as the Democratic

presidential candidate. The picture appears similar elsewhere in the region. A leading figure in the Albany Democratic organization, who asked not to be identified by name, said Mr. Dukakis "would bave to do something unusually stupid" to avoid finish-

ing first in the state capital. Mr. Dukakis has built his hig lead upstate without benefit of extensive campaigning. The key has See ELECTION, Page 6



By Reginald Dale International Herald Tribune Six months after the great market collapse of 1987, the good news is that the U.S. economy is far healthier

than almost anyone expected. The bad news is that the good news gives Wall

Street the jitters. To the uninitiated, markets can often seem perverse. But recent weeks have added a bizarre new twist. The faster the U.S. economy expands, the more anxiously Wall Street seems to worry that it will contract.

Some people trunk me market opent even want coming recession." good news. "The market is desperate for real news," In less topsy-tury times, it was simpler: Economic said Howard Kurz, a partner in the New York invest-ment management firm Buchen, Kurz & Co. "Even for the market; recession was had for the opposite of the market is recession." micro-news can push things around, But the market is reason.

Growth is now bad news because it could lead to inflation and then to recession. Growth also means higher imports, which are bad for trade figures and the dollar.

And the regular kind of had news, had us poor out, trade data that sent stocks and the dollar reding on Thursday, is still just as bad. Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "was oversold on the Stock market, an analyst said, "stock market, analyst said, "s

less interested in good news. It wants drama, and there is greater drama on the downside." Recession, of course, is still bad news for Wall nalizes U.S. exporters. A depreciating dollar leads to Street, although it might theoretically be good for the higher interest rates." is greater drama on the downside. What sounds like a new school of inverse analysis has been appearing in the market reports: Wall Street

immediately after the October stock market collapse, most experts started forecasting a U.S. recession for 1988. "The only question then was whether it would be a recession or a depression." Mr. Kurz said.

Since early this year, and particularly since last month, signs have started appearing that the U.S. economy is much stronger than the prophets of doom had predicted. A few figures, notably those showing declining unemployment and steady industrial output, are beginning to turn the consensus around.

A number of experts are now "in a race to predict the highest growth rate," Mr Horne says, Some private analysts are now forecasting inflation-adjusted U.S.

See MARKETS, Page 17

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growth

Hawke Confronts Racial and Economic Woes in Australia

Australia is facing problems of national identity, economic growth and voter displeasure with a drop in living standards. Prime Minister Bob Hawke discussed these topics with Michael Richardson of the International Herald Tribune:

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Q. Some critics say that Asian immior and the government's promotion of multiculturalism are causing division in Australia and weakening a national identity based on an Anglo-Celtic heri-tage. Do these policies need to be reviewed?

A. Since 1972, successive Australian overnments have viewed the notion of a racially discriminatory immigration policy as both abhorrent and contrary to the nadon's best interests. As long as I am prime minister we will not see a return to such an odious system.

Q. Aborigines bave often been the victims of European settlement in Australia. What is your government doing to remedy past injustices and present inequalities between black and white Australians?

A. Since my government came to office in 1983, expenditure on programs for aboriginal advancement by the government has increased in real terms by over 60 percent. We recently announced a

Iraq Opens

Assault to

As it celebrates its bicentennial, series of major policy initiatives to be ustralia is facing problems of nation-lidentity economic growth and yoter Strait islanders.

These initiatives include a proposal for a compact or treaty of uoderstanding to be established between aboriginal and nonaboriginal Australians.

Q. What are the main problems facing Australia?

A. The major economic challenge facing Australia is the need in stem the

MONDAY Q&A

deterioration in our external situation, which is characterized by a large current account deficit, a very high level of fur-eign debt relative to GDP and an onerous debt service problem.

Falling commodity prices have played a large part in Australia's external problems. The balance of trade in goods and services must turn around from a deficit to a substantial surplus. This would require the volume of exports to grow at a rate significantly faster than world trade growth over the next decade.

Q. The center of gravity of world eco-nomics power has shifted to the Pacific basin from the Atlantic and this trend is likely to intensify in the years ahead. Has Australia made enough adjustment to its economy and social attitudes to take full

advantage of its position as a Pacific nation?

A. The Pacific region is by far the most mportant trading area for Australia. In 1985-86, almost 66 percent of Australian exports were directed to countries in the region and about 63 percent of our imports came from the reginn.

The government has a long-term objec-tive of fostering the development of the Australian economy so that it will be more outward-looking, more internationally competitive and more adept at capi-talizing upon the opportunities offered by the rapidly changing and dynamic Pacific economy.

Q. What role would you like to see Japan playing to promote security, politi-cal stability and economic growth in the Asian-Pacífic region?

A. There is a need to recognize that Japan, through its economic and financial strength, already makes an important contribucion to stability and security in this region, and to the West generally.

It is important also to evaluate critically the "traditional" notion that major economic powers need, at the same time, to be major military powers. The interde-pendence of nations in trade, industry and finance is itself an important stabilizing factor. In view of Japan's constitutional re-

De Mita Aide's Killing Is Seen as Strike at Stability

quirements, and domestic and regional sensitivities, Japan's involvement in regional security matters might well be in areas other than extending its military capabilities. There is a trend toward promotiog regional development and

Q. Relations between Australia and France have been strained over French nuclear testing in the Pacific and French policies in New Caledonia. Have relations improved in recent months? A. Australia's policies on New Caledo-nia and French nuclear testing are well

known. I expect the differences on these issues to continue, but that is no reason why Australia and France can't build on common interests in other areas.

Q. To what extent have protectionist measures in the United States affected Australia's longstanding security rela-tionship with the U.S. under the ANZUS treaty, including maintenance of joint security facilities in Australia that provide America with important communication, intelligence and early warning of a nuclear attack?

A. We are concerned at the substantial amage which protectionist measures have done and are continuing to do to international commodity prices and the traditional markets on which efficient producers such as Australia rely for major portions of national revenue.

There is a danger that the financial difficulties Australia could experience as a result of protectionist trade policies would impair our ability to maintaio effective Australian contributions to international economic and military security.

It should be clearly understood, however, that the fundamental national inter-ests upon which security relations between Australia and the U.S. are based remain unchanged. The ANZUS treaty provides the fundamental framework within which Australia bases its defense planning and the ANZUS alliance underlies Australia's ability to maintain its posture of defense self-reliance.

Q. Do you regard a good reladonship between Australia and Indonesia, the world's fifth-most-populous nation, as being a fundamental national security interest for Australia? What needs to be done to bring about closer des between the two countries?

A. In the light of the strong nexus between regional security and our national security, we seek to maintain a sound and constructive relationship with Indonesia. The relationship, however, goes well beyond defense and security. There have been some strains in recent years but, overall, the relationship is working satisfactorily in most areas. We would like to see further development of the trade and economic relationship.

the New Jersey suspect, Yu Kiku-

other people or groups in the Unit-

Two U.S. law-enforcement offi-

Law-enforcement officials said

Mr. Kikumura was arrested Tues-

day at a service station oo the New

Jersey Turnpike after a state troop-

er found three 18-incb bombs load-

ed with gun powder and shotgun

Mr. Kikumura was arrested a

would not be more specific.

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1941 Red Army Executions Revealed

MOSCOW (UPI) - Stalin ordered the execution of more than 20 senior Red Army officers, who had been purged and imprisoned in secret police dungeons, as the Nazi armies approached Moscow, a Soviet magazine said Sunday.

The article in the magazine Ogonek, based on previously unpublished interviews in the mid-1960s with a World War II commander, Marshal Georgi K. Zhukov, indicated that those killed late in 1941 included the former head of the army, Mikhail N. Tukhachevsky. He was thought to have died immediately after a 1937 show trial.

The Soviet public also was told for the first time that a dozen years later Marshal Zhukov got his revenge by personally arresting Lavrani PA Beria, the head of the secret police, who was executed after Stalin's death in 1953.

Contras Reject Latest Peace Proposat

MANAGUA (Reuters) - Leaders of the Nicaraguan rebels rejected on Sunday a peace proposal offered by the Sandinist government, calling the plan a setback that raised doubts over whether the civil war could be ended.

Adolfo Calero, a rebel leader, called for a separate agreement on unresolved technical issues before discussion on bow to advance toward. an armistice.

He said the Sandinist proposal, details of which were not immediately available, had produced "tremendous doubts" among rebel leaders over whether a preliminary agreement signed last month between the rebels-and Managua could work. He said the latest proposal did not address. democratic reforms to be undertaken.

Fighting Mars Korea Political Rallies.

SEOUL (AP) — Supporters of rival candidates battled at political rallies throughout South Korea on Saturday during campaigning for legislative elections. The police said about 12 people were injured. It was the first day of "joint" rallies attended by opposing candidates in

the April 26 balloting. At stake are 299 National Assembly seats, of which 224 are to be filled by direct popular vote. The remaining 75 seats will be allocated to parties according to their share of the total vote.

Cubans Uncover a Smuggling Ring

HAVANA (Reuters) - Cuban customs officials have uncovered and international smuggling operation that brought scarce U.S. dollars and Western merchandise into Cuba, the official news agency Preusa Latina reported Saturday.

The agency said members of the Miami-based network, with connections in Mexico, Panama and Venezuela, came as tourists "with the obvious aim to bring difficulties to the Cuban economy."

It said the octwork moved millions of dollars per year, but it gave no figures and stressed that the contraband was oot on a large scale

Meese Nominee Weighs Pulling Out

WASHINGTON (WP) - John C. Shepherd, selected by Attorney. General Edwin Meese 3d for a Justice Department vacancy, said Friday that be was "giving very serious consideration" to withdrawing. He cited, the "tremendous pressure that this whole ordeal has been" on him and hiswife.

Mr. Shepherd, a St. Louis lawyer and former president of the American Bar Association, said he had oot made a final decisioo about whether to remain under consideration for the post of deputy attorney general, the second-ranking position in the department. He said he was "still consid-. ering what's best for the whole situation."

His membership in an all-white country club and an all-male social club have come under scrutiny since Mr. Meese announced earlier this! month that he was his choice to succeed Arnold I. Burns, who resigned in March, Reagan administration sources said Mr. Shepherd had encoun-tered objections from White House officials who think he could face a stiff confirmation battle because of his club memberships and unspecified "other problems."

Police Guarding Irish Jails in Strike the world's seven major industrial

DUBLIN (Renters) — Five prisoners escaped and minor disturbances; broke out at Irish prisons as a strike by guards continued for a second day; on Sunday. Police officers and troops were used to guard the 11 prisonsinvolved.

About 1,000 police officers and 300 troops were in charge of the 2,000. convicts after talks broke down in a dispute over the prison guards' overtime pay. Labor Minister Bertie O'Hearn said Sunday that he would confer with Justice Minister Gerry Collins before deciding on an appeala by trade union officials to intervene in the strike.

At the Ensisheim prison in eastern France, meanwhile, prisoners who' rioted Saturday surrendered on Sunday. Most the prison buildings weredestroyed and 10 persons were injured in the 16-hour riot. About 250 prisoners seized control of the prison and took two hostages, including a nun, who had been visiting.

Bandits Kill 191 Kenyan Villagers

NAIROBI (AFP) - About 400 cattle-rustling bandits killed -191 villagers in the remole oorthwestern Turkana district of Kenya and tried to steal thousands of head of livestock, the police said. They were

Retake Faw Washington Post Service KUWAIT — In a major escala-tion of the Gnlf War, Iraq launched

a large offensive Sunday aimed at driving Iranian forces off the Faw Peninsula, where Iranian military authorities said their forces were bombarded during the day with chemical weapons. The Iranians said "fierce fighting" was still under way Sunday night.

By Patrick Tyler

The Iraqi military command said its predawn attack combined units of the Seventh Army Corps and elite Republican Guard forces, which have been on alert for which have been on alert for months to contain any new Iranian assault in the area. The surprise offensive took ploce on the function offensive took place on the first day of Ramadan, the Moslem mooth of fasting.

The Iranian news agency IRNA said that the Iraqi offensive had been "smashed" and driven back. IRNA said that "thousands" of Iraqi soldiers had been killed or wounded.

blocked streets with flaming barri-and began pelting the police with cades and clasbed with riot police-stones and trash. The police retali-It was the first time in nearly two years that the Iraqi Army had gone on the offensive. Iraq has expressed growing frustration with efforts by Antonio Noriega, the Panamanian the United Nations Security Council to enforce a cease-fire resolution passed July 20. The resolutioo was designed to bring the war to an end demonstrators rallied on the north by threatening to impose an arms embargo against Iran if it did oot comply. side of the capital. The women were members of the oewly formed Union of Civic Women.

The international effort to end the war followed two successive barricades of trasb and tires across winter campaigns in which Iran some streets in the working-class first overran Faw in February 1986 Batania section of the city and and then, in January 1987, ad- burled stones at policemen. Win- that a five-week campaign of eco-vanced to the outskirts of Basra, dows in some homes and shops oomic sanctions designed to create

ROME — The murder by the Red Brigades of a close aide of Prime Minister Ciriaco De Mita was interpreted Sunday as a strike against stability as Italy appeared to be emerging from a political cri-

The police said Roberto Ruffilli, 51, a Chrisoan Democratic senator, was shot three times in the back of the head while alone at bome in Forli on Saturday. There were no winesses.

The Fighting Communist Party, faction of the Red Brigades, claimed responsibility.

The Associated Press

The police fired tear gas and

shotgun pellets Saturday as the

The protesters set up blazing

military leader.

were shattered.

present his new five-party govern-ment, formed after a monthlong the Naples attack. the Naples attack. political crisis, to Parliament for a

confidence debate. The mere possibility that our country is entering a period of greater political stability appears to against democracy. Mr. De Mita said the guerrillas had struck at a be enough to trigger such a barbadecisive phase in Italian political

rous and savage reaction," said Giorgin La Malfa, leader of the Mr. Ruffilli, an intellectual who entered politics in 1983, had a low Republican Party, one of the coalition nartners. The police said they believed

public profile and no police protec-tion. As a personal friend and close adviser to Mr. De Mita on plans for reforming Italian political instituthat there was no connection between the shooting and a car bomb on Thursday outside a U.S. servicetions, be was an easy target for men's club in Naples that killed guerrillas.

The sbooting occurred three five persons. Junzo Okudaira, a Rosario Priore, a leading anti-days before Mr. De Mita was to member of the Japanese Red Army terrorist investigator, said in a tele-

pal base of support.

unfolded.

Those taking part in strategy ses-sions have discussed a variety of

tactics, including use of a clandes-

tine radio station and other meth-

ods of exhorting the officer corps to

considered unsound military oper

ations, there is chagrin over bold

official predictions that General

Noriega would be unable to resist

turn against General Noriega.

vision interview Sunday that the shooting was "probably a first al-tack against the oew government" actions may have been planned by President Francesco Cossiga and that more could follow. condemned the killing of Mr. Ruffilli as "an abominable crime"

The Red Brigades struck fremura. quently in Italy during the late . An FBI spokesman declined to 1970s, killing 17 public figures, in-say whether the FBI had any facts cluding Aldo Moro, a former indicating that Mr. Kikumura had received logistical support from Christian Democratic prime minis-

The anti-terrorist police estimate ed States that there are 100 active members of the Fighting Communist Party, cials said, however, that the bureau whose favorite targets are the did have some information indicating that Mr. Kikumura - wbo, they believe, may be linked to a Christian Democrats, the dominant force in Italian post-World War II politics, and military offileftist Japanese terror group -had received help in the United States cials or industrialists. for his activities. The officials

The last guerrilla killing in Italy was in March 1987, when another Red Brigades offshoot, the Fighting Communist Union, killed Gen-eral Licio Giorgieri of the Air Force in Rome.

oon said Saturday that it was conday before the finance ministers of to determine whether a Japanese man arrested in New Jersey with

were also trying to determine whether there was any link between the arrest in New Jersey and the bombing in Naples.

1. eft. Marishin (Est. Cartier and real and the second sec de la strie

FBI Studies U.S. Link **Demands Removal of Noriega** The Federal Bureau of Investiga- pellets io the rear seat of his car. ducting a "rigorous investigatioo" As the police moved in with wa- restiveness in the Panama Defense PANAMA CITY - Hundreds ter cannon, the women scattered Forces, General Noriega's princi-

nations, known as the Group of three bombs had received support Seven, ended a meeting in Washfrom others io the United States, ington. A U.S. law-enforcement of-The New York Times reported from Washington.

The discussions are taking place against a background of official concern over how U.S. policy has

The FBI said its iovestigators ence was a potential target. rested at Schiphol Airport in Am-sterdam after he was found carry-

ing two pounds of TNT and six

ficial said that the FBI was trying to determine whether the confer-In 1986, Mr. Kikumura was ar-

U.S. law-enforcement officials fuses. Al about the time of that In addition to the dispute, in said the FBI bad sent at least one arrest, the heads of state of the which Pentagon officials said they explosives expert to Italy to exam- Group of Seven were meeting in

were being pressed into what they ine evidence in the Naples bombing Tokyo.

lrag s largest southern city. Iraq's long-term bopes for sur-vival, according to Western ana-lysts, are pegged to pushing for an

early conclusion to the conflict. Iraq wants to avoid a drawn-out war of attritioo in which Iran's larger populatioo and still-formi-dable industrial base will force Iraq to maintain a costly garrison state whose frontiers would remain unstable.

General Noriega is under indictment in Florida on charges of drug near future. trafficking and money laundering, nious dispute between the Penta-The Reagan administration has gon and the State Department over imposed economic sanctions on Panama, including freezing Pana- the use of military force has result-manian assets in the United States, ed in the idea being shelved for the the use of military force has result-

Architects of Time

in an effort to remove General time being. Officials are oow discussing a Noriega. The measures bave caused an acute cash shortage that has campaign of psychological warfare helped spur anti-Noriega protests. aimed at exploiting what they say is

of womeo smasbed windows, but gathered again in small groups

men in a demonstratioo to demand ated by firing tear gas and shotgun

ton:

of the military.

New U.S. Approach

Earlier, Neil A. Lewis of The New

York, Times reported from Washing-

Reagan administration officials,

disappointed over their failure to

dislodge General Noriega, say they

are now aiming their efforts at weakening his hold on the loyalty

Most officials generally concede

that a five-week campaign of eco-

the removal of General Manuel pellets into the air.

the economic pressure. an intolerable cash flow crisis has not worked, nor is it about to in the

An unusually public and acrimo-Upstate N.Y. Vote

(Continued from Page 1)

been extensive television advertis-ing; a visitor to Buffalo saw five Dukakis commercials in two days and none for any other candidate. The Massachusetts governor also has been helped in some places by circumstances. In Rochester, for example, his emphasis on the bene-fits of high technology struck a chord; the city has benefited from such companies as Bausch & Lomb Inc., Eastman Kodak Co. and Xorox Corp. In Buffalo, his assertions that be knows how to create jobs have impressed a community that never really recovered from the re-cession of 1958, let alone more recent setbacks.

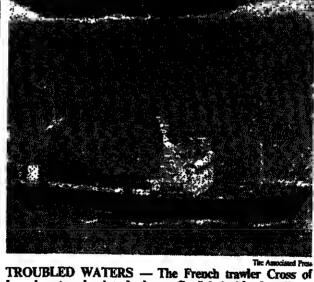
Joseph Crangle, who is retiring this autumn after 23 years as Eric County Democratic leader, recently endorsed Mr. Dukakis and he relishes the chance to put his troops to work getting out the vote for his candida

In 1948, Paul E. Fitzpatrick, then the Eric County and state Demo-craoc leader, helped preserve the nomination for Harry S. Truman. In 1960, Peter J. Crotty, Mr. Crangle's predecessor, played a key role in John F. Kennedy's campaign. But in all succeeding presidential campaigns until this year. New York has voted too late to have a

major impact. Brian Morris, the western New York coordinator of the Jackson campaign, challenged the polls and other projections, arguing that telephone surveys like those conducted m the state always understated Mr. Jackson's vote "because a int nf our olks don't have phones.

He said he expected the upstate

He said ne expected the upstate region to make a major contribu-tion to a Jackson victory. In the view of New York politi-cians, the Chicago clergyman's best chance is in the 33d Congressional District, which comprises almost all of Buffaln, the mill town of Lackawanna and such hiue-collar suburbs as Depew and Cheektowaga. Black and Hispanic resi dents make up more than 20 per-cent of the district. Mr. Jackson may also dn well in the 28th District, which contains several impor tant college campuses, including Cornell University at Ithaca. Democratic leaders are hard pressed to discern any advantage for Mr. Gore, whom several de-



Lorraine steaming into harbor at St. John's, Newfoundland, after the Canadian navy seized it Friday and arrested four French officials and 17 crewmen. Canada charged the boat was fishing illegally in Canadian waters near the French islands of St. Pierre and Miquelon. President François Mitterrand of France said the action was "intolerable" and, after two protests, recalled the French ambassador to Ottawa.

THE VERY PICTURE

COME ON IN! HOW'S

MARRIED LIFE

100

DOONESBURY



intercepted by security forces before they could drive the animals into Sudan, reports said.

The bandits, some armed with automatic rifles, struck Wednesday in an area about 40 kilometers (25 miles) west of Lokichokio. Policemen using aircraft trapped the raiders before they could escape

into Sudan. In the cusuing battle, about 40 rustlets were killed and another two arrested. There were no police casualties.

TRAVEL UPDATE

A new rail link between the Soviet and Chinese systems is under construction by China, China Daily said Sunday. The 224-kilometer, (138-mile) line, in Xinjiang Province in northwest China, will shorten the present rail journey between Beijing and Moscow by 2,000 kilometers and should be completed by 1990, the newspaper said. (AFP) Smoking will be banned on 80 percent of the airline flights within the United States beginning Saturday.

United States, beginning Saturday. The ban affects all flights that takes two bours or less except travel club and charter trips and flights to foreign

two bours or less except travel club and charter trips and flights to foreign 7 destinations. If a long flight is broken into segments, as is common, each leg of less than two hoors is covered by the ban. (NTT) Seamen of the P&O ferry line voted Sunday to continue their strike, rejecting an offer of an annual wage rise of \$400 (about \$750) on the routes from Dover, England, to Zeebrugge, Belgium, and Boulogne, France. Meanwhile, P&O's main competitor, Sealink, said it would start corrige April 25 between Liverpool England and Dun I apphared into service April 25 between Liverpool, England, and Dun Laoghaire, Inland, near Dublin.

Three landred passengers were evacuated from a Sealink car ferry Sunday after fire broke out in the engine room while the vessel was at the quay in Dun Laoghaire, the police said. One crewman was hospitalized in stable condition. (Renters)

Rome's two airports were paralyzed Sunday by a strike by air traffic controllers complaining of overwork and demanding an increase in their numbers. All flights were grounded except essential services to Sicily and

Traffic over the main road linking Iraq and Turkey resumed Saturday after a bridge damaged by floods Friday was repaired, the Anatolian News Agency reported. (Reuters) (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays: MONDAY: Zimbabwe.

TUESDAY: Brunei, Ethiopia, Sierra Leone, Unignay, Venezuela, Zimbabwe

- WEDNESDAY: Israel THURSDAY: teeland. Israel
- SATURDAY: Turkey.

'n.

SUNDAY: Topo. Source: Morgan Guaranty Trust Ca., Reuters.



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-1911-

18K Gold, water resistant 30 m.

GÜBELIN

longours juste

. Zürich, Geneve, Lo

Bern, St. Moritz

scribed as the big disappointment of the campaign.

لمكذا من ألاصل INTERNATIONAL HERALD TRIBUNE, MONDAY, APRIL 18, 1988



United Airlines Trims Its Frequent Flier Plan And Others May Follow

says it would like to cut back on its frequent flier program. It is the first attempt in recent years by a major airline to hold down the increasing cost of such programs.

pbased in starting July 1. United have to fly fewer miles to earn free tion being promoted.

For United's plan to succeed, its major compensors must go along. or the airline will find itself at a competinive disadvantage. The initial reaction at other airlines was mixed.

A spokesman for Delia Air Lines, Jim Lundy, said: "We don't plan to make any change in our program. We don't see any need to riers. make changes.

ly confrontations that they shrug

off the incidents, at least on the

Mike Gunn, senior vice presideni of marketing al American Airlines, said that American had been

David G. Sylvester, an airline analyst with Kidder, Peabody & Co., said he thought United s

nate many bonuses, including the common practice of giving credit fare is paid. The minimum number

United will also put time limits

cent of its seats systemwide would strictions on availability.

SDI Laser Effort Is Off Target Program in New Mexico Desert Lags Behind Schedule

project, as he gazed across the laser ray, saying anti-missile technology site toward distant mountains. "We is inherently feeble and doomed to By William J. Broad New York Times Service WHITE SANDS MISSILE RANGE, New Mexico — A legacy of President Ronald Reagan's pro-

now." The project is nearly two years gram for a defense against missiles lies here in the New Mexican desert

It is the beginnings of a giant laser, priced at up to \$4 billion, powerful beams of concenfense Initiative.

trated light are to flash into the pale New Mexican sky. To date, however, the main achievements have been the construction of an access road, water The futuristic laser itself is no-where to be seen. Military officials say the situation will remain that way for a half-dozen years or so. and possibly longer if an unfriendly candidate wins the White House.

"It's sad," said Colonel James F.

AMERICAN now ban their sale as pets.

Fire in Cigarette Ads,

toms officials have mooned brough: scarce U.S. dolar ficial news agency Prantie

RIEFS

itions Revealed

execution of more det arged and imprisoned and proached Moscor, a se

War II commander, bai War II commander, bai illed late in 1941 inches hachevsky. He was that

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Peace Propos

the Nicaragnan reber to

whether the civil war one

for a separate agreement sion on how to advance the

of which were not impairs abus" among rebel leaders last month between the st latest proposal did not all

Political Ralls

candidates battled a pie turday during campaigne bat 12 people were injust tended by opposing candida

seats, of which 274 are 10 kg. 5 seats will be allocated 10 kg.

whose

main and power line.

ami-based network, with me Cunan economy." of dollars per year, but I ga nd was not on a large scale

ighs Pulling Ou Shepheri, selected by Ame Department vacancy, sid he leration" to withdrawing the

d former president of the Area e a final decision about with ost of deputy attorney grants ment. He said he was "silos ion

ountry club and an all-make Mr. Meese announced enter ed Arnold I. Burns, wherein to said Mr. Shepherd had on officiale who think he could has club memberships and are

ish Jails in Strik

were excupted and manardisate by guards commund for a some presente used to guard the light

With the sets were in charge of the O'Heurr and Suncas thata Collins velore decising on 20 E a en the strike.

m France, meanwrile, passar sein. Must the priste baldier uncel in the Hearth not Alon. en and the site of neurospitely planned to be further along by

behind schedule and about \$300 million short of its expected fundamid a seemingly endless expanse ing, army officials say. of sand and sagebrush, yucca and The laser venture r

after Mr. Reagan's speech announcing a plan for a spaced-based missile defense, the Strategic De-

While laboratory research has advanced on many fronts, its concrete application in big projects bas been slowed by congressional cuts in budget requests, by the grounding of the oational space shuttle fleet, by disputes among the mili-tary services and by the zigs and zags of the program in the search for ways to achieve the president's

goal of rendering enemy missiles "impotent and obsolete."

While critics delight in the disar-McNulty of the army, head of the

have a horrible odor." About n million ferrets have been bought. Several cities and states

TOPICS The Maryland legislature has joined Illinois, Hawaii, Minnesola and South Carolina in restricting pistols. A committee of **But Not Much Smoke**

law enforcement officials, public citizens, a representative of a handgun control group and of the National Rifle Association Cigarettes that show fire but no smoke appear in countless advertisements. They jut from will determine which pistols can the jaw of the Marlboro man or be used legitimately for recreafrom the fingers of those handtion, law enforcement or selfsome couples who gather for Sunday brunch and Benson & protection. The sale and manufacture of all others will be Hedges. Michael Pertschuk, a tobacco hanned.

opponent and former chairman of the Federal Trade Commission, which monitors advertising, calls it "deceptive advertis-Professor Richard Pollay, cu-

again. But opponents bave indirator of the history of advertis-ing archives at the University of British Columbia, told Morton cated they will return to court. • Isham, Lincoln & Beale, the Chicago law firm founded 116 Mintz of The Washingtoo Post, years ago by Robert Todd Lin-coln, Abraham Lincoln's son, Is "Motivation research of the 1950s indicated that smokers going out of business. The firm had ambivalent feelings." Peois "no longer viable" because of ple recognized "some negative the loss of clients and staff ataspects' of smoking, such as smells, burning clothes, some minor health hazards." torneys, a spokesman said.

A spokesman for Philip Mor-Notes About People ns, maker of Marlboro and Benson & Hedges, ooted that many recent ads continue to show smoke. The decision to President Ronald Reagan reads the newspapers at break-fast, be told the American Socishow smoke or to airbrush it out, he said, often tarns on ety of Newspaper Editors, and he turns first to the comics. "A whether the scene is indoors or lifetime habit," he explained. outdoors, or on the lightness or

"Then my next turn is to the darkness of the setting. A spokeswoman for Loril-lard, maker of Kent and Neweditorial pages," He added that he reads more than one paper. Mr. Reagan had been asked about a oew book by his former port, said: "We fiave no policy, nor have we ever had, to show spokesman, Larry Speakes, who wrote that the president rarely the smoke coming from the tip of a cigarette. We attempt to reads newspapers, contenting himself with news summaries make our ads as real as possible, and in a normal setting, where prepared by his staff. action is involved in photogra-

pby, you don't see the smoke." Treasury Secretary James A. Baker 3d is expected to resign

failure, military officials express frustration over their inability to advance vigorously on what they view as an attainable goal. "The research is going great

guns," said Lieutenant General John F. Wall, commander of the ing, army officials say. The laser venture typifies the John F. Wall, commander, "But fragile stale of affairs five years for the projects we're talking mega-for the projects we're talking megabucks. When you need a chunk of money that big, something often

والمستعدين ويعتر بعروها فالعرار والمتحا

has to give." The New Mexico laser venture, which is run by the army, is the largest and most costly of the bundreds of anti-missile projects under way across the United States.

It centers on the creation of a laser that works by jostling elec-trons with magnetic fields to tease them into producing powerful beams of light. When finished, this free-electron

laser is to be three to four miles long (4.8 to 6.5 kilometers), its main apparatus buried in concrete tunnels beneath the desert. The aim

is to test whether its beam can cut through the atmosphere and bounce off orbiting mirrors. In war, such a beam would be aimed at incoming missiles to damage or destroy them.

The project is key to the military's long-term aspirations. Some of the anti-missile weapons now under development have been around for decades, such as small projectiles meant to smash into targets. But free-electron lasers barely existed when Mr. Reagan took of-

They were singled out for quick development, but their perfection as giant weapons is still seen as a

The attraction is that free-electron lasers are viewed as one of n few technologies that in theory have enough power to try to ap-proach the original anti-missile goal, In contrast, the older, more

the 1990s would stop only a frac-tion of warheads aimed at the United States.

At the laser site, about 25 miles east of Organ near the foothills of the Jarilla Mountains, construction trenches, dug by archaeologists who wanted to make sure no prehistoric artifacts were in the area.

was broken early last year. Soon after, the endeavor fell victim to budget cuts. Today, construction work has slowed, the number of workers running from 10 to 30 on a given day. In addition, there are about 60 government workers based at White Sands headquarters to oversee laser design and coo-struction, and about 85 cootrac-

By Isabel Wilkerson New York Times Service

groups, Sull others have become so inured to racism that they talk about it as routine. Mr. Thompson says be is re-

> occurs in the open. On walks to class, black students are routinely the target of racial

minded daily that be is different, that he does not really belong. People tell him he speaks well for a black. "They're always shocked when I say something intelligent or meaningful," Mr. Thompson said. Tracye Matthews, a fourth-year student majoring in psychology, said she was haunted by the ambig-

uous insults that cannot be proven. "It bappens all the time," she said. "If some white students have a question about what the professor will impose penalties, ranging up to said, they'll look over you to ask the next person about it. They figure en other students because of their Mr. Thompson said he was at

Several days spent with black first advised to major in physical udents and faculty members at education instead of his choice, social studies, and was directed tothat racism is a constant in their ward less demanding courses despite a grade point average of 3.8 out of 4 at his Detroit high school. Many other black students said Racism occurs out in the open. Many other black students sa On mile-long walks to class, black such experiences were common. In a receot survey of black stu-

-surface. Studies confirm the high levels of social estrangement among black students. In his recent study of black undergraduates, Dr. Allen found that only 12 percent of black students, as against a majority of whites, said they felt they were an

> to be over and done with," said Dr, Vonnie McLoyd, an associate prolessor of psychology and Alro-American studies at Michigan. and anti-Asian graffiti on buildings relations.

reported experiencing some form at the University of Michigan and of racial discrimination. Because elsewhere in recent years. Some black students have withdrawn from campus activities. Oth-In this environment, many black none of these undergraduates were ers have become active in protest students become hurt and ambiva-ANN ARBOR. Michigan - On born in the days of patent segregalent. reluctant to acknowledge tion, some are confronting over signs of rejection from a school they want so much to be a part of. racism for the first time. "To some black students, racism Others become so hardened by dai-

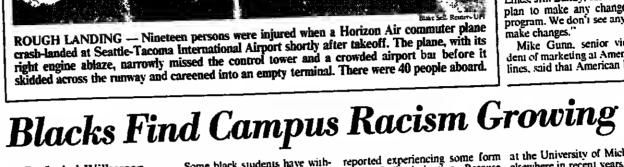
At the University of Michigan. racism

epithets shouted across a husy intersection.

under Jim Crow and was supposed

important part of campus life. was what bappened in the South That finding bas implications for the success or failure of black students in general. Studies have shown that academic performance

American studies at Michigan. The climate of bigotry also has produced a new crop of swastikas



11.844 studying the implications of rising By Agis Salpukas benefits of frequent flier programs and had been considering what steps to take.

NEW YORK --- United Airlines analysts have expressed concern that the liberal awards would force airlines to give seats to frequent fliers that would have gone to pay-

Under new rules, which will be said Friday that passengers would tickets but that the miles would be much more difficult to accumulate. The carrier said it would end bonus programs under which passengers are credited for extra mileage if they travel to a particular destina-

The aim is to prevent frequent fliers from taking up seats that could be sold to paying customers. Delta escalated the frequent flier liberalization late last year when it began offering triple mileage credit under certain conditions. Ameri-

can Airlines made the program, even more liberal, a step that was matched by most of the major car-

Since then, senior marketing executives of American, United and other airlines have said limits were needed on the programs.

Airline executives and industry -

Another shift at United involves restrictions on which flights pas-

sengers can choose when they turn

in their mileage credits for tickets. The goal is to force such passengers

to travel at times outside of peak

travel periods when they fiv to such .

popular destinations as Hawaii.

ing customers.

changes will be completely matched by the rest of the indusiry," adding, "I think the industry will tighten it up even further."

Under United's plan, a passenger will qualify for a free coach ticket after 20.000 miles (about 32,400 kilometers), compared with the current floor of 35,000 miles.

However, United plans to elimifor double mileage when full coach of miles a passenger can earn on any trip will drop to 500 miles, from 750.

on the use of the awards. This will make it more difficult for frequent fliers to bank their miles.

United said more than 50 perbe open to fliers using mileage credits. But during holiday periods, including Thanksgiving, Christmas and New Year's, there will be re-



the campuses of predominantly white U.S. universities, where racial unrest has risen dramatically in recent years, black students say they feel increasingly like outsiders, Recent incidents of harassment and violence at the University of Michigan and other campuses have called attention to deep racial divi-sions and a generally hostile envi-ronment for black students such as

isolated and unwelcome.

Kourtney Thompson, a third-year

"This offers the biggest payoff," said Colonel McNulty, the project student at Michigan. White students say, 'Michigan is great; it's awesome, " Mr. Thompson said. "But I just want to director. get my education and get out of

here. This is their place, not mine." In May the University of Michibas clearly been slower than ex-pected, all kinds of impediments having arisen. One sees numerous

gan is to put into effect a new antidiscrimination code that it hopes will combat incidents like the distribution io February of a flier saying blacks "don't belong in class-The project was publiely an-nounced in July 1986 and ground rooms, they belong hanging from

trees. For the first time, the university expulsion, on students who threatrace, students and faculty members at the University of Michigan showed

lives and takes a psychic and emotional toll.

Because of the slowdown, the first phase of the project is not expected to be finisbed until around 1994, at a cost of \$1 billion

daunung task. Shorter Takes: California, thwarted by a lawsuit a year ago from allowing the limited hunt-ing of mountain lions for the

mature technologies now being readied for possible deployment in first time in 16 years, is trying

kenvan Villagers m unte-rusting hunts ber

n Turkana district of Kenazit voluch, the police said Ther see they as a clove the sound!

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UPDATE

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Constance (rom) come tried Sunday in a start with

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1980s ads for Kent Golden Lights, saying "You Really Know You're Smoking." showed smoke, while many ads for Newports don't even show cigarettes.. Short Takes Ferrets are the latest pet fad, but the Journal of the American Medical Association warns that no effective rabics vaccine for them is yet available. An anticrucity society spokeswoman said: "We do not recommend

eventually to work full time for the presidential campaign of George Bush, his friend of 30 years, tennis partner and fellow fore late summer. "Mr. Bush, indeed, could be happy with Mr. Baker's staying put in the Treasury and doing what he can to keep the economy — and with it Mr. Bush's chances of. being elected president -- from unraveling," The New York Times commented. keeping them as pets. They are not trainable animals. They do

Arthur Higbee

For experiments, the site is to be staffed by up to 500 scientists and technicians. Just cooling the giant laser will require an estimated 450 million gallons (1.7 billioo liters) of water a year, a considerable amount in such an arid region. The laser beam will be adjusted by a mirror with 2,000 moving parts that researchers hope will cre-ate a customized light wave capable of piercing atmospheric turbulence without distortion.

If successful, the project might get the go-ahead to move into a second phase that could bring its total cost up to \$4 billion, the aim being to create an even more powerful laser beam.

racial cpithets should busy intersection.

There are subtler forms as well. in Mr. Thompson's classes, when the topic turns to blacks, everyone turns to look at him.

students are routinely the target of

And in a climate of racial tension, almost anything can be taken as racist, and black students' feelings of isolation and suspicion mul-

"One of the tragedies of being a minority student is you never know why people are responding to you in a given way," said Dr. Howard Ehrlich, n psychologist and director of the National Institute Against Prejudice and Violence, a research group in Baltimore.

ducted by Professor Walter Allen, a sociologist at the University of Michigan, four out of five blacks UNIVERSITY DEGREE BACHELOR'S . MASTER'S . DOCTORATE Work, Acodemic, Life Experi Send detailed resume

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MONDAY, APRIL 18, 1988

OPINION

Herald Eribune.

A Bumpy Chinese Road

China's just concluded National People's Congress approved what the Politburo asked it to. No surprise there. But this time there were open debates and more press coverage than usual. And by formally ap-proving Li Peng as prime minister, the legis-lature surgraphed more debate to come for lature guaranteed more debate to come. For Mr. Li must share power with a man who disagrees on the nature and pace of change in China: the general secretary of the Com-munist Party, Zhao Ziyang. A decade into the reforms begun by

Page 4

Deng Xiaoping. China's economy chugs along nicely. But reform has its costs. While the economy grew 9 percent last year, the price of vegetables in Beijing jumped 20 percent. Thus, one challenge is to dismantle an irrational price system without raising an already troubling inflation rate.

Mr. Li's instincts favor consolidation and stability. The pace of reform, he believes, should be consistent with what the public can bear. Mr. Zhao wants to move more aggressively from a planned to a market economy. He is willing to focus precious resources on four coastal areas, running the risk of uneven growth. And he addresses fears of inflation and workers' protests by calling for a kind of town hall democracy to give the masses a sense of participation.

The congress approved parts of a solution on which all can agree ft gave legal protection to private enterprise, already the fastest growing sector of the economy. It effectively reinstated property rights. It trimmed the bureaucracy by reorganizing the central government. And it approved measures to turn enterprises over to internal management in-stead of local party committees. These are significant changes. But the tough problems lie ahead — like the price of

vegetables in Beijing oext year. Or job and income security. Or the expectations shared by millions of people who have emerged over the last decade from near-feudalism to watching refrigerator ads on color television. Or the restiveness of intellectuals like those who staged a sit-in on Tiananmen Square during the congress to protest the oarrowness and poverty of academic life. The congress approved not only Mr. Li but also a oew slate of leaders, including

cabinet ministers. On balance, as the enthusi astic local press noted, they are younger, less ideological and more professionally competent than their predecessors. They will need to be. Making the choices on the pace of reform for a billion Chinese will take all the energy and suppleness they can summon. -THE NEW YORK TIMES.

Canute in Washington

No sooner had the seven governments pledged to keep exchange rates stable than the American trade figures appeared ou Thursday — and the dollar lurched down-ward again. The stock market promptly fol-lowed it, King Canute would understand the position in which James Baker finds himself. Canute demonstrated that even a multicom-Canute demonstrated that even a royal command will not stop the sea, and Mr. Baker is showing the world that the U.S. Treasury secretary, even when joined by a chorus of the finance ministers of the six other strongest trading countries, cannot hold the market steady in the face of a bad trade report.

The fall of the dollar in the past three years was supposed to bring American exports into balance with imports. Exports rose in February from January, but imports rose much faster. Imports are up strongly because American consumption continues to grow at a faster rate than the country can afford. But no one in American politics, neither the Reagan administration nor Congress, wants even to talk about cutting consumption before the November election.

The February deficit was the worst in four mooths. These trade deficits shake the financial markets because they create an enormous dependence on foreign borrowing, and the need for foreign money in-creases the pressure for higher interest rates. At the present rate of progress, the

hope of eliminating that dependence on foreign money is fading fast. As the deficit in traded goods slowly comes down, it will increasingly be offset by the financial bur-den of servicing those foreign debts.

If the seven governments wanted to take forceful and persuasive action to stabilize the dollar - and, more important, to proteot the world's economic growth --- what would they do? The answers are familiar. The United States would begin to hold down consumption, and force it to grow less rapidly than production. One important way to do that is to cut the federal budget deficit, which now seems to be rising again. The Europeans, for their part, would do the opposite and increase domestic consumption to take up some of the slack — which, incidentally, would reduce their scandalously high unem-ployment. Of the three centers of power in pioyment. Of the three centers of power in the industrial world, only Japan is taking vigorous steps to protect itself from the. threat of too-big trade surpluses and deficits, Europe is waiting for America to act, and the American administration wants to leave

the whole subject to its successor next year. The February trade figures and the markets' panicky reaction to them hint strongly that, for reasons with which King Canute was all too familiar, the administration may not be able to hold the tide that long.

- THE WASHINGTON POST.

A Message for Shamir

er in the American presidential campaign than the Arab-Israeli conflict. The Middle served the nation well in pressing the candi-

No national security question rings loud- national conference. It would have no powers beyond launching direct talks between Israel and a Jordanian-Palestinian delega-East may well be the most flammable place in the world. So it is critical for voters to know how the next president proposes to nomy in the West Bank and Gaza Strip for prevent war there. New Yorkers have about two years. During this interim period, the parties would negotiate a final settlement

dates to spell out their positions in advance of Tuesday's presidential primary. Vice President George Bush, Governor Michael Dukakis, Senator Albert Gore and

BOSTON — Israel became a state on May 14, 1948. A month later its government faced a fateful issue. Irgun Zvai Leumi, the right-wing ter-British rule, tried to bring thousands of guns in on a chartered ship, the Altalena. David Ben-Gurion, the prime minister, saw it as an attempt to maintain a private army — and that, he said, would "murder the state." He ordered the Altaleoa shelled. The ship sank off Tel Aviv. As Israel approaches its 40th andversary, it faces a choice as profound and divisive as the challenge of the Altalena. The question is how to deal with the territories it has occupied since 1967, and with their 1.5 millioo Palestiniao iohahitaots. Receot events have shown that what is at stake is oothing less than the futore character of Israel as a nation.

The incident in the West Bank vil-lage of Beita was a somber portent. In the Israeli government's handling of it we saw what the future may be - is likely to be, if present trends continue.

On April 6, 16 teen-agers from Israch settlements went for a nature walk ocar Beita. With them were two armed guards, both settler militants. The army had banned one from the West Bank city of Nablus after incidents of shooting. The other was con-victed in 1984 of destroying evidence

tinian girl by a settler. The group encountered young Palestinians, who threw stooes. One came forward — to urge the Israelis to leave quietly, the Palestinians claimed afterward. An Israeli guard shot him dead. Villagers rushed out,

A possibility now being

surrouoded the Israeli group and took them into Beita.

In the village, two more people were killed: another young Palestin-ian man and a 15-year-old Israeli girl, Tirza Porat. First reports were that Miss Porat had been killed by a stooe. But then an army inquiry found that a bullet, apparently from the gun of ooe of the guards, had

army, General Dan Shomron, said on the radio that the people of Beita had kept worse from happeoing. "It's a fact," he said, that "the youngsters, apart from the murdered girl, got out of there alive not

in the killing of an 11-year-old Palesallow them to be harmed."

At a time of great national boredom, the people search for reassurance ...

Forty Years Later, a Crucial Choice for Israelis

pen. A further possibility, openly dis-cussed in Israel now, is what is polite-ily called "transfer of population." That is, expelling the mass of Pales-timians from the occupied territories. Henry Siegman, executive director of the American Jewish Congress, looked recently at these shadows oo locael's future. He snoke before the **By Anthony Lewis** because of rescue by military force but because some villagers did not

NHATENER

HE WASN'T BORING

Despite General Shomron's words, and despite the finding that Miss Porat had oot in fact been killed by a Israel's future. He spoke before the incident in Beita. Democratic and stone. Israeli authorities imposed collective punishments on Beita. Fourhumane values, he said, "are likely to be croded even further" if the occupateen houses were blown up, groves of almond trees pulled out, seven acres of olive trees buildozed. tion "persists indefinitely." "Speculation above forced mass

Again wing politicians called for revenge against the Palestinians. Prime Minister Yitzhak Shamir said speculation about revent mass transfers of population has moved from the Kahane fringe to more cen-trist elements." Mr. Siegman said. "Some even question publicly the principle of the sanctity of human life at Miss Porat's funeral, "God will avenge her blood." At a cabinet meet-ing, Ariel Sharon, the trade minister, said that all the houses in Beita should be blown up. The leader of the Na-tional Religious Party, Rabbi Chaim Druckeng, said the sallane "cherdld when applied to non-Jews." Whether to go in that direction is Israel's choice. But must Americans Druckman, said the village "should stay out of the debate, as Senator Albert Gore Jr. has argued? Must. supporters of Israel be silent? Henry be wiped off the face of the earth." That is one possible future: an Israel which is so dominated by reli-Siegman said he could not be silent. I think most Americans, Jewish and gious-oationalist fervor that the aunon-Jewish, will agree with him. After the Beita incident an ABC

thorities impose retribution on Palestimans without waiting for evi-dence — or despite the evidence. televisioo correspondent, Barrie Dunsmore, asked one of the Israeli hikers why they had gone where they did at a time of tension. She replied, That would mean an Israel which expels people from their bomeland in the teeth of the law. An Israel which loses its own values in order to suppress another people. And that is not all that may hapthe owners of the country."

> ber of native American engineers, and massively to boost the scientific and mathematical skills of 17-year-olds (although that again would cost money). It could increase the school year from the present 185 days to something closer to the

"We have to show them that we are

The New York Times.

Japanese standard: about 240 days. All these things could be done — if the people and their political representatives wanted it. Bu when I suggest this package of policies to audiences across the country, I hear murmurs of disbelief and disagreement. "That can't happen here." "It will never get through Congress." "Pm opposed to any taxes." "Tim against a longer school year." To all such objections, I have a simple response: "Who is being the inevitabi-list, you or me? Who is being defeatist here?" Previous great powers lost their productive vitality not because their decline was concerning vitality not because their decline was economi-"determined" but because cultural and cally ideological prejudices, an unwillingness to adapt to new methods, a propensity to spend on the present (consumption and defense) rather than on the future (investment) all combined to prevent a renewal of the nation's productive base. Are Americans ready to follow that historical pattern, or do they want to learn from history?

Decline for America? It Depends on Americans

what Japan should seek to stand forin a changing world. The germ of the idea is already there

A Mandate For Japan: Consensus

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By Flora Lewis

By Flora Lewis T OKYO — Thoughtful Japanese analysts are grappling with a po-litical and philosophical problem than is probably unique in the history of nations. It may be a sign of what the 21st century will need to be about. The way one influential consultant put it was: "We see that this is our golden age, but we don't know yet what to do with it. We are looking for our mandate. The British rose with there mandate of developing centalism. The U.S. mandate was to evolve a fine mandate or developing capitalism. The U.S. mandate was to evolve a fine society." He did not mention the Rms-sians, who chose the mandate of trying to spread communism in the world. But he went on, "We must search to find the purpose for our power." The dilemma has arisen because of

very specific Japanese conditions, an isolationist history except for two gen-erations of expansionism that brought total disaster. Now cabinet munisters make speeches acknowledging Japan's make specifics acknowledging lagar's great new economic power and pro-claiming that it will not be trans-formed into military power, as other rising nations have always done.

rising nations have always done. This is one point on which Japa-nese consensus-building is not a de-vice for concealing and surmounting real divisions. It expresses a profound national agreement. While there has been support for a somewhat greater, defense effort, there is virtual unst nimity against acquiring the kind of force that could be projected abroad. Even in the United Nations con-text the Japanese are willing to con-

Even in the United Nations con-text, the Japanese are willing to con-tribute money to peacekeeping but are adamantly opposed to sending troops of any kind. They have named a representative to a multinational group studying how to monitor the Soriet withdrawal from Afd

- "a civilian, of course." sain a se-nior diplomat. That is a kind of involvement that the Japanese would have shunned not long ago, but it will be exclusively economic and politi-cal, with no military element. Japan

sells no arms to anyone. But this is a purely oegative answer to the increasingly pressing question of Japan's role in the world. Leaders know that Japan must be seen as willing to make some contribution if it is: to be able to sustain the trading rela-tions that have made it rich. Making: money does not of itself make friends. The culture is so inward-looking, so intensely national and self-defined

that it does not suggest any obvious ideas that Japan can offer others be yond useful but uninspiring technique. And yet leaders know they must find. something that will both justify an unaccustomed generosity in their own people's eyes and win acceptance from

others as a welcome trading pertner. "We must be transmitters of cal-ture, not only receivers now," said a top aide to Prime Minister Nobort-Takeshita. Certainly he did not mean

flower arranging and sushi. The problem is that nobody has yet. figured out what that should mean,

in Japan's attitude toward militarism, an attitude imposed by a catastrophic

discussed openly is 'transfer of population."

struck ber in the head. The chief of staff of the Israeli

Jesse Jackson try to outdo each other in proclaiming their strong support for Israel. But they show themselves to varying degrees to be at odds with Prime Minister Yitzhak Shamir ou two central negotiating issues:

· All four candidates are prepared to deal with the Palestine Liberation Organization provided it renounces terrorism and unequivocally accepts the existence of the Jewish state of Israel. Mr. Shamir and his Likud colleagues say they will refuse to talk with the PLO under any circumstances.

 All agree that any resolution must be based on the principle of trading land for peace. Mr. Shamir resists any diminution of Israel's control of the West Bank.

The candidates are quietly sending a message to Palestinians and Israclis to begin serious bargaining with each other.

Persistently and rightly, the Democrats chide the Reagan administration for daw-dling on Middle East occotations. Yet Sec-retary of State George Shultz's peace plan now represents the benchmark for debate.

The administration and Mr. Bush call for negotiations under the rubric of an inter-

about direct talks. He says he does not favor an independent Palestinian state but adds that this is a matter for negotiations. Mr. Gore is the most critical of the Shultz

ideas. He worries that the conference would inevitably bring a ganging-up against Israel and that the Shultz timetable for autonomy and final resolution is too compressed. He flatly opposes a Palestinian state.

Mr. Jackson generally backs the Shultz approach. And oow, in a reversal, he also says he would not deal with the PLO leader, Yasser Arafat, Mr. Jackson advocates mutual recognition by Arabs and Israelis and favors the foundation of a Palestinian state.

On the question of which side should move first. Mr. Gore puts the burden on the Arabs, Mr. Jacksoo on Israel, and Mr. Dukakis and Mr. Bush somewhere in between. How they differ on this point is less important, however, than where they, and very likely the American public, agree. All the candidates convey an impatience for the nations and peoples of the Middle East to get on with the job of probing for peace.

- THE NEW YORK TIMES.

Other Comment

Religious, Armed and Dug In

Israel over the past few years has been seized with a wave of religious fervor which has not yet abated. Immigration has been reduced to a trickle, but the few Jews from Russia and elsewhere who settle in Israel are nearly all religious. They are outnumbered by emigrants, who are nearly all secular. The religious parties have always had an influence in Israel out of all proportioo to their oumbers. They now also have the oumbers, but with all their religiosity they seem to lack a spiritual development. It would almost seem that the greater the fervor of the faithful, the further they recede from the principles of their faith.

little affection for the Arabs (and even less for Israeli journalists, whom they regard as a nack of traitors). They are all armed, and in the event of a peace agreement the problems which the army oow has with the Arabs would be fun and games compared to the problems it would have with the Jews.

One does not have to be religious to understand the grip which Jodaea and Samaria have on the Jewish imagination, especially if ooe traverses them with Bible in hand, for they reverberate with echoes from Jewish history. But they also happen to be densely populated with Arabs, which brings us to the heart of the problem. The settlers live more in the past than in the present and attach greater weight to the claims of histo-The overwhelming majority of the settlers ry than to the claims of men.

in the occupied territories are religious, with - Chaim Bermant in The Observer (London)

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can hardly be both. From Aryan supremacists to flat-earth believers, groups across the country have written to say that it reinforces their message. Liberal economists have expressed doubts about its militarist and mercantilist tendencies. On the other hand, the Reaganite right has denounced it as "liberal defeatism." It is all rather odd.

My book has been variously described as "su-

premely well timed" and a "surprise," although it

N EW HAVEN, Connecticut — One of the mixed blessings of having written a best seller, "The Rise and Fall of the Great Powers," is the ensuing array of interpretations and mis-

interpretations of what it is saying.

Perhaps the greatest misinterpretation has been the conservatives' attack for its "economic determinism," and for (in their view) postulating the 'inevitable" decline of the United States on economic grounds. A more careful reading and somewhat more thought on their part ought to have suggested that the historical causation that the book analyzes points to a quite different interpre-tation of what "determines" national decline.

The real distinction that they have missed is between the consequences of economic trends and the causes of those trends.

If a nation becomes so indebted that it loses its creditworthiness; if its manufacturing base shrinks so much that it cannot produce goods (for exam-

ple, microchips) needed for its own industry and its defense forces; if its currency has less and less value on international exchanges; if it devotes too much of its resources to consumption and defense spending, at the cost of long-term investment; if i produces fewer and fewer engineers and more and more lawyers and dentists and stock jobbers then sooner or later all that is going to have serious effects on the wealth and strength of the nation.

By Paul Kennedy

If that is "economic determinism," so be it. It sounds more like common sense to me.

But nothing in my argument says that the causes of such trends are irreversible and inevitahle. Like Spain in the 1660s and Britain in the 1890s, the United States today has certain options open to it in order to reinvigorate its productive base and meet the challenge posed by faster growing economies of other countries.

America could close the awful federal deficit (by higher taxes, if necessary). It could redirect national resources from consumption into savings (by altering the tax structure). It could encourage a lot more investment in commercial research and development (if need be, even at the

cost of military research and development). ft could make serious efforts to increase the num-

The writer, a professor of history at Yale, contributed this comment to The New York Times.

For France, a Made-Over Fifth Republic Beckons

By William Pfaff

chers comparatores. He writes that "a program is the affair of political par-ties, not of a president of the repub-lic, or of someone who wishes to Assembly, which is dominated by non-Socialist forces. Only if that fails will he ask for parliamentary elections. His comince thus would have to be moderate or even nonparty figure,

able to rally a part of the disaffected center-right. A moderate Socialist, or social democrat, Michel Rocard, long an outsider to the Socialist Party hut

an obtained with the public, is thought a probable choice. A return to a manner of governing by coalificute of thilling interests closer to the parliament-dominated Third and Fourth Republics has al-Third and Fourth Republics, has al-There has always been something ways seemed the impulse of Fran-cois Mitterrand. He was formed in equivocal about Mr. Mitterrand. His great rival of the past, Charles the Fourth Republic and was a mas-ter of the combinations and allide Gaulle, was devious and ruthless as a politician, but he was never equivocal. Mr. Mitterrand relishes ances that made it work but robbed the game for the game. It would be untrue to conclude that he is unprin-cipled, a charge that also is made its governments of sustained authority. He recognizes that it was a bad system, as it existed then, and he has against his present-day rival, Mr. ofited from the structural strength of de Gaulle's Fifth Republic, with Chirac. But you do not think of either, as you do of de Gaulle, as first of all a man of principle. In this election it has been the

its powerful presidency. He says, though, in his open letter, that the country should in the future avoid both "a return to the 'absolute former prime minister, Raymond Barre, who has occupied the role of presidency of the early Fifth Repub-lic" and the lofty, essentially ceremo-nial presidency of the Fourth. man of principle: stolid, unglamorous, uncompromising — and fading slowly from sight and favor. While Mr. Mitterrand has moved

Io fact be is making over the Fifth Republic to his own measure, and he is doing so with, apparently, very wide approval from the public and within the political class itself. It seems that the French really are more comfortable with the ambign-ous but flexible and democratically expressive "politicians' politics' of the past than with the "absolutism"

.

experiment with the use of force. That is to spread the concept of international cooperation and accommodation, of supporting political solutions of in-evitable conflicts. Persuasion and con-. ciliation are the key tools of Japanese politics, indeed of the society. The world is too diverse and con-

tentious to digest the Japanese way as a model - it will oot be able to do so for a long time, and probably never. But a more active Japanese role in encouraging efforts in this direction could bring the sense of mission that the Japanese seek and others require. Money is a powerful means of bringing people to see common interests, especially now that the world is much more aware of inequities and impatient with lack of development.

The world is more heavily armed than it has ever been, and more and more obliged to recognize that arming has not solved the problems it was meant to. The superpowers are just beginning to think seriously about reducing their globe-busting weapons. But smaller countries are escalating the sophistication and destructiveness of Charles de Gaulle's institutions."

of their arms without a concept of Mr. Mitterrand was an enemy of the Fifth Republic at the start de restraint in provolting their use. So if it begins to think of the world. scribing it, in a notorious phrase, as "a permanent coup d'état." As presipolitically, and not just economically Japan could come to find a role for dent, he seemed a convert to its prinitself that goes beyond competition. It ciples. It may prove that he was con-verted only to its convenient prac-tices of presidential power, and that in the end he will have the last word would have to be sought in concert with others. And that could create a mandate for Japan, a 21st-century mandate no longer resting on the noover his old enemy, leaving behind, in fact if not in name, a Sixth Republic tion of national supremacy but accept-ing that interdependence is real and that glory can be found in showing

how to make it work better. The New York Times.

100, 75 AND 50 YEARS AGO

1888: Matthew Arnold

or the Fourth and a Half.

International Herald Tribune.

C Los Angeles Times Syndicate.

NEW YORK - News of Matthew NEW YORK — News of Matthew Arnold's death [of heart failure on April 15 at Liverpool], coming so closely upon the discussion which the publication of his latest views of America has aroused in all parts of the country, has created a profound impression. In literary circles where he was perconally known, the instill he was personally known, the intelli-gence has been received with grief. The evening papers give long sketch-es of his life, with appreciative edito-rial articles. He was 65 years old,

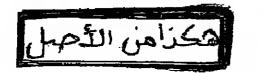
1913: Tariff Opposed

NEW YORK — The Democratic caucus yesterday [April 16] upheld President Woodrow Wilson's deci-sion for free raw wool, and the motion for a 15 percent ad valorem duty was lost by a vote of 190 to 42. The action of the caucus illustrates the fact that Dr. Wilson has the complete

presented by the Ways and Means Committee, will pass the Lower House without serious changes and be sent to the Senate. The protective interests are doing their atmost to persuade the Senate Finance Committee to hold public hearings and give them an opportunity to present arguments in opposition to the proposed reduction of the rates.

1938: 40 Arabs Killed JERUSALEM - More than two

JERUSALEM — More than two score were killed in a battle starting yesterday afternoon [April 16] and lasting through the night between a band of armed Arab rebels and Brit-ish troops near Bala-Anepta Recon-naissance planes flew over the battle-lield from the military pase at a Ramleh, while powerful searchinghts hit up the scene. It was entirement the hit up the scene. It was estimated this morning that about 40 terrorists had been killed, including several rebel ringleaders. Several civilians who backing of his party in the House. It is almost certain that the tariff bill, as reported to have been killed.



PARIS — The final week of France's presidential eliminations has arrived. By Sunday night

to a higher lane than that occupied by mere political parties, an impor-tant partisan change has been taking place. Conservative forces have ral-

hed to Mr. Chirac, but at the cost of

embittering the more centrist figures

sympathetic to Mr. Barre. The president has said that if he

the French will know the two men from whom, on May 8, they will make their final choice for president. They do not expect to be surprised. By all present evidence their cur-rent president, François Mitterrand, and their present prime minister, Jacques Chirac, will be the two candishould guide the nation. His opponents had scarcely decid-ed how to react to this unexpected dates in the runoff vote. By present evidence, Mr. Mitterrand will then literary initiative when Mr. Mitterrand held his own monster rally. He

evidence, Mr. Mitterrand will then win — although present evidence may be wrong. There still remains an exceptionally large proportioo of un-decided voters. The game is not over. Two years and few would have append. Mr. Mitterrand and his followers on the left to be in sight of this discuss. It is not of course the this victory. It is not, of course, the same left that was decisively defeated in the parliamentary vote of 1986. The Communists are a negligible factor, and the Socialist Party has moved decisively toward the center. On economic policy there really is little to choose between left and right in this election.

Mr. Mitterrand, an illusionist, has once more transformed himself. The Socialist crusader of 1981 is today a socialist crusater of 1967 is modely a leader above party, reassuring, speak-ing to the public as if the noise and grind of this campaign were static, generated by ordinary politicians, through which he and the people must communicate with one another.

His rivals make speeches, hold monster rallies, grow hoarse pro-claiming their programs. Mr. Mitthrand declines an invitation to spend a full evening in discussion with journalists on television, as his conservative rivals are doing, and instead writes for newspaper publication a long, intimate letter to the French people — his friends, mes

lic, or of someone who wishes to become president." And the presi dent offers, in place of a program, a series of elegantly expressed reflec-tions oo the grand principles which

hits them coming and going. He is of his times in France, perhaps in any of his times in France, perhaps in any of the Western democratic — but that is not necessarily a compliment.

QUAGMIRE: Moves on Afghanistan Came a Month After Gorbachev Took Power

(Continued from Page 1) cember 1979 as the faction-ridden closely held decision in intervene, tion." There was no announcement were finally signed last week. with very little int it from Soviet experts on the area.

11

Mandate

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By Flora Lewis

YO — Thoughtful laws: YO — Thoughtful laws: alvais 2re grapping wide: advais 2re grapping wide: ad

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into military point as the term factions have illary done is is one point on which the consensus-building is not a for concealing and summary invisions. It expresses applies mal agreement. While there support for a somewhat we have effort, incre is wind to be effort, incre is wind to the Japanese are willing the ite money to peacefore the

the Japanese are willing the ste money to peacekoping) adamant's opposed to such ps of any kind. They have no preventance to a multimum

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s no arms to anyone.

Mr. Legvoid was told of the decision makers, nearly all in their 70s, that "the old ones felt it in their bones" that this should be done. The Soviet Army landed 85,000 troops in a matter of weeks. By 1982 there were 100,000; and final-ly 115,000, far short of the 400,009 ein 500,000 troops U.S. analysts be-

lieved the minimum needed to subdue the fierce, dedicated, fundamentalist enemy. Why the Soviets limited their troop levels while exercising no restraint on the bombings, mining, booby-trappings and brutal de-struction of villages is a matter of

debate. A U.S. official said he believes the Kremlin came to see the war as a mistake whose costs could be sustained, but that tripling or quadrupling the commitment would have made it a mistake of unsustainable proportions.

By June 1982, two and a half years of war had brought only an ever-higher toll of death, injury and displacement. Pakistan and Afghanistan, with approval of Washington and Moscow, began indirect negotiations under the aegis of a determined Ecuadorian diplomat from the United Nations, Diego Cordóvez, whose energy and irre-pressible optimism would never hag. Few predicted success, and for several years the talks dragged on with little result.

When Mr. Gorbachev became general secretary of the Soviet Communist Party in March 1985, Afghanistan meant stalemate. Soviet troops made periodic sweeps through rebel areas, then pulled back to heavily defended base ar-C25.

U.S. assistance to the Afghan resistance, with strong backing from Republicans and Democrats in Congress, had skyrocketed; \$30 million in 1983, \$120 million in 1984, \$250 million in 1985, Ultimately, it topped \$600 million yearly, matched by large sums from Sandi Arabia.

Unlike his three immediate predecessors, Mr. Gorbachev had no public record of commitment to the war. He knew that to rejuvenate the Soviet Union's declining economic Soviet periphery and with the Unit-ed States, a lessening of interna-tional tensions generally and much the "overwhelming majority" of Pakistan by agents of the Kabul

source in Moscow that Leonid 1. policy shift began in April 1985. ly, the Soviet special ambassador Brezhnev, then the Soviet leader, only a month after be took power, for the Afghan negotiations, Nikothe center of power in the Kremlin hard and impartial analysis of the of an eventual international agree-- not even the entire 14-member position and started even at that ment, including its division into Pulitburo - were involved in the time to seek a way out of the situa- four documents of the kind that

> licy review at the time. sternly and personally about Pakistan's support of the resistance.

Afghan border by Afghan forces began to increase sharply, a trend that was even more pronounced in the next several years. There also

according in Pakistani government data. But the Pakistanis, despite the pressure, did not falter. The expanded Soviet campaign

There were credible reports from

Kabul and elsewhere that General Zaitsev had one year - in another version two years - to start win-ning in Afghanistan. Such a military effort, said a State Department Alghan policy-maker, had the effect of postponing the need for top- ending the war and barring "forlevel political decisions.

Despite more aggressive tactics, better equipment, and General alism have turned Afghanistan into said publicly there that a political ro discussion immediately, were re-Zaitsev's personal leadership in a bleeding wound," he said, imply- settlement in Alghanistan was ported by a diplomat close to the combat, the military stalemate con- ing that the "bleeding" must stop "feasible" and "close." The with- Afghanistan issue to have been entinued. And Mr, Gorbachev had one way or another. begun moving cautiously toward a diplomatic way out, if needed.

U.S. Sees Sabotage at Pakistan Arms Depot By Michael R. Gordon

New York Times Service WASHINGTON - U.S. Defense Department officials say they believe the explosion a week ago at a Pakistani ammunition depot was the work of agents of the pro-Soviet regime in Afghanistan. The United States still has no

proof of sabotage, according to the officials, and some experts at the and political fortunes, he needed Central Intelligence Agency are A U.S. Defense Department of-eased relations with nations on the said to believe it is possible the ficial said the explosion fit a pat-

greater freedom of expression at the equipment at the depot was government.

bome. All these conflicted with Cordover, the UN mediator, said the first Soviet troop withdrawal alize what is in their interests and continuation of the Afghan war. later, Only two months after Mr. umetable: 48 months from start to what isn't." Communist regime faltered. Robert Legvold of Columbia Afghanistan at first. But just two "came up with a number of ideas Afghanistan at first. But just two "came up with a number of ideas to the on how the negotiations should it was a starting point for bargain-University, a veteran Soviet ana- months ago, in a speech to the on how the negotiations should it was a starting point for bargain-lyst, said he was told recently by a Central Committee, he said that his move forward, "he said. Specifical-ing. When Bahrak Kurmal resisted that he Soviet and only three or four other men at when "the Politburo conducted a lai Kozyrev, suggested the structure posals. Moscow removed the man decision to withdraw but had not

256.

Please help us."

of such a top-level Afghanistan po- Two rounds of the LIN-sponsored Geneva talks, in June and After meeting with Mr, Gorba- August 1985, produced a proposed chev privately as he took power in agreement an international guaran-Moscow, the Pakistani president, tees of a negotiated cease-fire and General Mohammed Zia ul-Haq, withdrawal, On Dec. 10, following said the Soviet leader warned him public prodding from Prime Minister Rajiv Gandhi of India and the lines na longer had mastery of the ing new. November summit meeting of Pres- air in rapidly expanding areas The Geneva talks during 1987 November summit meeting of Pres- air in rapidly expanding areas In an effort to intimidate the ident Ronald Reagan and Mr. Gor-Pakistanis into shutting off the sup-bacbev in Geneva, the United ply lines and closing the staging States agreed to join the Soviet areas for the mujahidin, air and Union as an eventual "guarantor" ground violations of the Pakistan- of nonintervention if other provi-

sions were satisfactory. This arrangement, which dismayed some congressional conservatives from the start and led to a was a sharp step-up in terrorist celebrated shift in the U.S. position explosions inside Pakistan attributtwo years later, called for the United 10 Soviet and Alghan agents, ed States to cease military aid to the Afghan resistance as the Soviet troops began to withdraw.

Kremlin discussions that began The expanded Soviet campaign late in 1985, according to Soviet against Pakistan coincided with the sources, led to a brief, but authori-arrival of General Zaitsev, a presu-tative declaration by Mr. Gorbagious former Soviet commander in chev on Alghanistan during a five East Germany and likely future and a half hour speech to the 27th Warsaw Pact chief. Soviet party congress on Feb. 25. Soviet party congress on Feb. 25, 1986. That day, he said the Soviet Union wanted to bring its troops home "in the nearest future." and that agreement had been reached with the Kabul regime on a

eign armed interference." "Counterrevolution and imperi-After this, the UN talks began to move ahead.

"From the time Gorbachev came In mid-March, the Alghan gov- stan: "It is only needed that in and June by a Soviet official to Mr. that General Najib was see in, things began to change," Mr. ernment offered to Mr. Cordovez neighboring countries they also re- Cordovez, the UN mediator, are shaken by the July meeting.

and Mr. Dobrynin left Kabul, a ing. When Babrak Karmal resisted leaders during a visit that the Sovithe new Soviet peace-making pro- ets seemed to have taken a general

they had installed during the 1979 yet faced the more painful choices invasion and on May 4 replaced about precisely how and when to him with General Najib. get out. Meanwhile, Mr. Reagan in April This State Department assess-1986 ordered the Central Intelli-

ment was holly disputed by the gence Agency to provide the resispolitical echelon of the Delense tance with the high-technology Department, whose undersecretary Stinger anti-aircraft missiles. for policy, Fred C. Ikle, character-Suddenly Soviet forces that al- ized Soviet initiatives in this period ready were stretched thin protect- as "a thinly disguised attempt at ing themselves and their supply deception" and, in substance, noth-

Shortly after Mr. Shevardnadze

where the Stinger missile was in reflected Moscow's moves. When the year began, the Soviet-Afghan The first indications of a high- troop withdrawal offer on the table level political shift came in Mos- was for the withdrawal to occur cow in November to a visiting dele- over a time period of 42 months. In gation of Americans from the March, this was reduced first to 22 private Dartmouth U.S.-Soviet dis- months and then to 18 months in cussion group. A senior Soviet ad- intense negotiations, bringing Mospreviously expressed confidence in stan's demand that the pullout take success in Afghanistan told a visi- no more than seven months.

tor: "We know we have to get out, Before the year was out, the but we don't know how to get out, timetable had been reduced to 12 months. Eventually it was tele

Several of the visiting Americans scoped to seven and a half months. were invited to appear on Soviet the period between May 15, 1988, television, with suggestions that and the end of this calendar year. they be frank about Afghanistan. The Soviet leadership's basic de-Afterward, the Americans were cision to withdraw during 1988 was

commended by their Soviet hosts, made during the April-July period one of whom confided, "The Soviet of 1987, according to the available people have to start learning that we have to get out of Afghanistan, A Soviet official who is far below and we can't go on television to say the decision-making level, but who has good contacts in high places, Just after the new year in 1987, said the decision to withdraw be-"phased withdrawal" of the troops the Soviet foreign minister. Eduard gan tast spring in a difficult Polit-when there was political settlement A. Shevardnadze, and Anatoli F. buro debate in which there was Dobrynin, the Kremlin foreign po- opposition. Members of the party's licy adviser, flew to Kabul on a Central Committee, who may not surprise visit. Mr. Shevardnadze have been informed of the Politbugaged in an intense debate on the

Remarks that were made in May suggestive of the nature of the opposition and of the timing of the

On May 30, Defense Minister This is good for you," Mr. Cordovez was told by a Soviet source. As a deputy minister of defense nearly a decade before, Mr. Sokolov per-



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Major General Najib, left, and Mikhail S. Gorbachev during their meeting April 7 in Tashkent.

portant for you." It is clear now that the decision had been made by July 20, when General Najib was summoned to the Kremlin. According to an account recently provided to a visiting diplomat by a leading aide to Mr. Gorbachev, General Najib was

unconvinced that Soviet troops were actually to be withdrawn because of doubts expressed by officials in the Soviet hierarchy who either may have been opposed or not well informed.

Mr. Gorhachey, according to his aide, found it necessary to look General Najib in the eye and tell him. "No matter what else you may have heard. I hope you are ready in 12 months because we will be leaving whether you are or not." Reports reaching the West suggested that General Najib was severely intended to pull out.

Two days after seeing General Najib, Mr. Gorbachev told the Indonesian newspaper. Merdeka. On May 30, Defense Minister that. "In principle, Soviet troop Sergei L. Sokolov was dismissed by withdrawal from Afghanistan has the Politburo after a young West German, Mathias Rust, flew his inent was used by Soviet diplomats light plane unchallenged across the abroad as the basis for saving, from country and landed in Red Square, then on, that the "political decision" had been made to withdraw. While negotiating about the withdrawal timetable, the Soviets had refused to name a date in any sonally directed the Soviet inva-sion. His dismissal and the subse-actually to begin or end. But on actually to begin or end, But on quent shake-up is believed to have Sept. 15, in an intense and lengthy lessened opposition to withdrawal. On June 25-26, a plenum of the Central Committee strengthened in Washington, Mr. Shevardnadze dent, in an interview with network

Reagan.

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with Europe

contact told him, "This is very im- administration;" in other words, cut off supplies to the Afghan resisthat Soviet troops might all be out tance while the Soviets withdraw by Jan. 20, 1989. because that would leave the "freebecause that would leave the "free-

The next important move oc- dom fighters" at a disadvantage. curred in Geneva during discus-sions Nov. 16 between the Afghan ment along the same lines in pripolicy "point men" of the two for- vate talks with Mr. Gorbachev. The eign ministries. Mr. Armacost and arrangement Mr. Reagan rejected a deputy foreign nunister. Yuli M. was almost precisely the one that Vorontsov. Suddenly Mr. Voront-sov dropped Moscow's demand his administration two years carlithat "national reconciliation" on er. on Dec. 10. 1985.

their terms, which meant keeping the Najib regime or something like Following a confusing round of disparate statements, in nud-Januit, would have to be accomplished before the troop withdrawal could ary a single policy was ironed out in a meeting of Mr. Reagan. Mr. Shultz, Colin L. Powell, the nationbegin. Mr. Vorontsov also told Mr. Armacost that the next round of al security adviser, and the White Geneva talks should be held by the House chief of staff. Howard H. end of February and that it should be "the final round." Mr. Armacost Baker Jr. Under the new policy of "symleft the meeting more convinced than ever that the Soviets really

metry," the United States would stop military aid to the resistance only as the Soviets stopped military With the Washington summit aid to the Kabul government; othmeeting approaching, the much-ruerwise fresh aid would flow to both sides.

mored withdrawal timetable offer of 12 months still had not been Some in the U.S. government proposed, due to Kabul's intransipredicted Moscow would never acgence. At the end of November, cept this. But others, who proved to Mr. Gorbachev telephoned Generbe right, said Mr. Gorbachev was al Najib in Kabul, and within 24 determined to get out and finally bours the Afghan leader proposed would accept almost any deal that a 12-month timetable for Soviet furnished him international cover. troop witbdrawal but gave no start-The last diplomatic event was ing date. This was the position Mr. Gorbachev took to the Dec. 8-10

Mr. Gorbachey's meeting with General Najib in Tashkent on meetings in Washington with Mr. April 7 and Soviet acceptance of "symmetry" in a letter to Washing-The most significant developion the next day.

ment on Afghanistan at the meet-ing came from Mr. Reagan rather than Mr. Gorbachev. The presi-After the way was cleared by this understanding, Mr. Shultz, Mr. Shevardnadze and Pakistani and Mr. Gorbachev's hand in the party, said for the first time that be television journalists just before Afghan representatives signed the electing close allies of his to the "would not exclude that the issue Mr. Gorbachev artived, said the accords last Thursday in a green-Afghan representatives signed the Politburo, Mr. Cordovez' Soviet could be resolved in the life of this United States could not agree to and-gold chamber in Geneva.

said the supplies destroyed includ-ed U.S.-made Stinger anti-aircraft ment official. missiles, anti-tank missiles and Afghan Rebels Rally

for the Afghan guerrillas. A U.S. Defense Department of-

third of the total supply of anti- Afghan refugees who described aircraft missile systems destined themselves as fighters of a boly war rallied Saturday in Peshawar, Paki-

reported.

intended for Afghan guerrillas "Our opinion is that it was sabo-fighting the Kabul government. He tage," said the Defense Depart-

long-range mortars. The expert Amid chorused shouts of "death said the Stinger missiles destroyed to Geneva," "death to America" in the blast constituted about one- and "Allah is great," about 10,000

stan, to proclaim their opposition to the agreement signed in Geneva last week, The New York Times

The accord provides for the withdrawal of the Soviet army.

drawal of the Soviet troops, he said. issue last June. "is utterly clear" and "not far off." He added, in a reference to Paki-

debate.

viser to Mr. Garbachev who had cow's offer within range of Paki-



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Israel Is Blamed in Killing of No. 2 PLO Leader

Compiled by Our Staff From Dispatches zation, returned here Sunday after proved the killing. the killing of the deputy PLO commander to consult his aides on what is almost universally regarded as an assassination by Israeli

Page 6

Khalil al-Wazir, known as Abu Jibad, or "father of struggle," was shot to death early Saturday at his home in a suburh of Tunis. The Israeli government has not denied accusations by the PLO and the Arab League that Israel was responsible

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In Jerusalem, a spokesman for Prime Minister Yitzhak Shamir month in the Negev Desert of southern Israel

WORLDWIDE ENTERTAINMENT

would not comment Sunday on re-TUNIS - Yasser Arafat, leader ports that Mr. Shamir and two oth- Golf states and was in Bahrain pistol while his attackers, one of prus, Ahron Lopez, denied at the of the Palestine Liberation Organi- er high-level Israeli officials ap- when the killing of Mr. Wazir took them said to be a woman, shot him time that Israel was responsible for place

and army units.

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The U.S. television network Similarity to Beirut Raid NBC, quoting sources it did not identify, reported Saturday right Alan Cowell of The New York Times reported from Cairo: that the assassination was a joint Mr. Wazir, 52, was gunned down operation of the Israeli intelligence

areas.

in froot of his wife and 14-year-old daoghter, his aides said. The operaservice, Mossad, and Israeli naval tioo appeared similar to a raid in Beirut oa April 9, 1973, in which The report said the attack was Israeli commandos shot three Pal-estinian leaders to death. approved by Mr. Shamir, Foreign Minister Shimon Peres and Defense Minister Yitzhak Rabin after In the past, however, some

(Reuters, AP)

Palestinian guerrillas hijacked a bus and killed three Israelis last prominent Palestinian figures have Palestinians to have coordinated

nalists were ordered to leave the

But residents and other witness-

es said the streets were largely quiet

in most areas. A general strike kept

shops closed and workers away from their jobs. Black mourning flags and PLO banners were visible

all across the territories as Palestin-

ians entered a second day of

mourning for Mr. Wazir. Two Palestinians were wounded

in a clash with soldiers at the Nur

But while Palestinians mourned,

many Israelis celebrated the opera-

tion as evidence of Israel's willing-

ness and ability to strike back at

Ariel Marari, a Tel Aviv Univer-

sity terrorism expert, who said ear-lier that be believed Mr. Wazir had

been killed because of an internal

power struggle, bas retracted that statement. After reading about the

details of the assassination, Mr.

Marari said "it looks very much like some of the other Israeli opera-tions, such as the 1973 raid."

Shams refugee camp.

alleged terrorist leaders.

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Mr. Arafat had been on a tour of possible successor, died clutching a The Israeli ambassador to Cy-70 to 100 times at about 1:30 A.M. that attack. He suggested it had in Sidi-Bou-Zid, an elegant suburb been committed by a rival Arab of Tunis.

> The killing was the most spectacular and potentially most damag- the Palestinian nationalist move-ing involving the PLO leadership ment, bowever, appear to have for many years. It provoked angry condemnation from Arab nations, including Egypt and Jordan, and was followed by a surge in protests in Israel's occupied territories.

Mr. Wazir was believed by other been killed by other Arabs, and the and led efforts outside the occupied largest PLO group, Mr. Wazir was possibility that the attack was car-ried out by rivals of the PLO leader there, which began Dec. 9. In Feb- in Israel, including the hijacking in ned out by rivals of the PLO leader there, which began Dec. 9. In Feb- in Israel, including the bijacking in could not be completely ruled out. ruary, three of his lieutenants died 1978 of a commuter hus on the Wazir, regarded as the top PLO the PLO also blamed on the Israeli figure after Mr. Arafat, and as his campaign to quash the uprising. In October 1985. Israeli planes

As in the operation Saturday, the

Beirut raid was set up by an ad-vance party that included a wom-

an, the assault team arrived by sea

and used rental cars to travel to its

Israeli officials publicly ac-

knowledged responsibility for that assault, but have maintained si-

lence this time. Some analysts sug-

fuel further explosions of outrage

in the West Bank and Gaza Strip, where at least 142 Palestinians and

two Israelis have been killed since

Meanwhile, the government no-

tified a Palestinian weekly maga-

zine. Al Awdah, that it will be closed down within 15 days unless

it successfully appeals a closure or-

der. The magazine's owner. Ibra-

him Karacem, also owns the Pales-

tine Press Service, a pro-PLO oews

agency that the army recently or-

Israel asserts that such agencies

and publications disseminate PLO

propaganda and are front organi-zations for terrorist groups. But the

moves will further restrict the flow

of news and information from the

occupied areas to journalists and

The Associated Press MOSCOW - Workers through-out the Soviet Union participated Saturday in the 69th annual subbot-

nik, a day of unpaid labor donated

to the Communist state.

Labor Day, Russian-Style

Western diplomats.

dered closed for six mooths.

Dec. 9.

gested that officials did not want to

group The rivalries that have plagued

ment, bowever, appear to have been largely buried during the four months of protest in the occupied Gaza Strip and West Bank. The underground committees coordinating the uprising include repre-sentatives of the various factions. As military chief of el-Fatah, the

Indeed, the 52-year-old PLO military chief, who was gunned down in his home Saturday morn-Khalil al-Wazir bombed the headquarters of the

Of Fervent Dedication To Palestinian Cause leader of his high school student

union, he organized a guerning group to challenge Egypt's mie over the Gaza Strip.

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guerre Abu Jihad, or "father of struggle." Mr. Wazir was second only to Yasser Arafat m el-Fatah. the organization they founded in the 1950s and which remains the largest branch of the PLO.

Since violent demonstrations broke out in the Israeli-occupied territories last December, Mr. Wa zir had been the PLO official new sponsible for coordinating the up rising. Some PLO officials believe it was his role in the uprising that led to his death.

Mr. Wazir urged the Palestinian civilians not to use guns in their fight against Israeli soldiers, and he often expressed pride that they were fighting the Israelis with stones, not ballets.

Mr. Wazir, who was deeply loyal to Mr. Arafat, carned a reputation as a moderating and conclusion force in an organization that has, often been fraught with infighting

Mr. Wazir commanded the alle-giance of dissident officers who split from el-Fatah after feutingr with Mr. Arafat, for example. He built his own base of support. And the meeting last sping of the at the meeting last spring of the Palestine National Council, the PLO's legislative arm, he was to strumental in creating the final resolution that said that the FLO;

would be willing to have some con tact with non-Zionist Jews who lavored Palestinian rights. Mr. Wazir's death leaves a serious political vacuum in the PLO leadership. There is no leader in the organization with the same famil-

Programs to encourage greater individual enterprise by farmers, jarity with the occupied territories or the same ability to avoid ideological feuds within the PLO: another key part of Mr. Gorbachev's program, have been stymied by local government agencies, ac-As the PLO representative on a joint Jordanian-Palestinian com-

mittee for development of the terri-tories, for example, he had an intimate knowledge of the politics and social dynamics of the territories and wielded considerable power big controlling the PLO funds flowing into them. In addition, he pride himself on closely following every twist in Israeli politics.

"He was someone whose ideolo gy was Palestinian nationalism said Helena Cohban, a guest scholar at the Brookings Institution and anthor of a recent book on the PLO. "He was also the heir appar-ent, but with considerable powers of his own."

Mr. Wazir was consumed by a belief that violent struggle was need essary to regain the land lost to Israel for the Palestiman people: Over the years he served as a

nilitary strategist, journalist, troit blesbonter, arms purchaser, fund raiser, and negotiator for the Pales tinian cause.

In 1954, when Mr. Wazir, was 19, he was arrested by Egyptian and thoritics for mine-laying activities in Gaza and imprisoned for several

ISRAEL: Enclaves Are Sealed Off Independent SOVIET: Reform Plan Hobbling **Ghetto Rally** 1973 commando attack in Beirut in which Israeli raiders killed the alleged planners of the 1972 attack on Israeli athletes at the Munich Olympics — Mohammed Yussuf Najjar, an Arafat deputy; Kamal In Warsaw Nasser, a PLO spokesman; Kemal By Jackson Diehl Adwan, a deputy to Mr. Najjar, and dozens of guerrillas.

Washington Past Service WARSAW - Thousands of

people carrying candles and the banners of opposition political movements marched through the former Jewish ghetto bere Sunday in an independent commemoration of the 1943 uprising against Nazi forces

The march by more than 5,000 fieldom." place without police interference in Warsaw in recent years.

It followed the dedication of a privately backed monument in a Jewish cemetery to two leaders of the former Jewisb workers league who were executed in Moscow for criticizing the Soviet invasion of

castern Poland in 1939. The two events, organized by a committee of intellectuals and po-

Navon.

countries have arrived in Poland

for the anniversary celebrations, which are to continue through Tuesday. A "Route of Rememturing plaques and a major moni-lai Shmelyov, that has stirred in-tense discussion among Russians

(Continued from Page 1) severe problems, has acknowledged some setbacks and appealed to the Soviet people to help him.

The command-and-administer system and those worshipping it are not surrendering ground with-

out battle," he told party officials recently in Central Asia. "Not infrequently, good decisions, even those made oow, are carried out only partly." He added, "There are a great

deal of people who view their particular factory, village, collective farm, district or city as their own

Jews and Poles, including leaders The partial hreakdown of his of the banned Solidarity trade program increases the importance The partial hreakdown of his union, was one of the largest inde- of the party conference scheduled pendent demonstrations to take to begin June 27, particularly the process of selecting delegates for

new members of the Central Committee, the party's top policy-making body.

gle is taking shape over the selec-oon of the delegates.

buro, Mieczyslaw Rakowski, met a this month in the newspaper Sotgroup of Israeli government offi- sialisticbeskaya Industriya that cials and dignitaries, including two-thirds of the delegates should Deputy Prime Minister Yitzhak be rank-and-file party members.

one-third party officeholders. The article was viewed as a re-According to official accounts. The article was viewed as a re-more than 5,000 Jews from 36 flection of Mr. Gorbachev's think-

The problems besetting Mr. Gorbachev's domestic program were outlined recently in a blunt brance" in the former ghetto, fea- article by another economist, Niko-

The independent and nominally illegal events Sunday, which re-flected the loog-standing rift be-tween the government of General Woriciech lanuelski and a weil-or.

one of the core elements of Mr. Gorbachev's domestic program. The system, which spread on Jan. 1 to companies producing 60 percent of Soviet industrial goods, is intended to reduce government management of factories and other enterorises.

But instead of limiting their role, ministries have used state orders. part of the new system, as a substitute for the annual producoon targets that formerly controlled fac-

tory operadons. "State orders actually exceed previous planned tasks." Mr.

have indicated that a major strug-

Because many of the delegates

Communist authorities sought to party organizations, the areas focus attention on a one-week pro-

45th anniversary of the uprising. At the Polish parliament, 97 must control the selection process

als from the Martyrs' and Heroes' Gavril Popov, an economist who Remembrance Anthority in Jerusa- has supported Mr. Gorbachev but lem. At the same time, a member of has not besitated to question the the roling Communist Party Polit- efficacy of his programs, suggested

The independent and nominally and Western analysis.

gram of official events marking the most embedded. Soviet officials

litical activists, occurred as the will represent regional and local

Poles who helped save Jews from to pick members whose interests the Holocaust were awarded med- are not threatened by change.

melyov said. Figures showing increased productioo are misleading, he added, because factories are producing goods that oo one wants. "There's a widely held opinioo that lately the situation in the food markets and stores not only hasn't

the meeting. The gathering is ex-pected to review many of Mr. Gor-bachev's programs and may elect improved hut has actually deteriorated." he said.

Several recent newspaper articles

co, ding to Mr. Shmelyov. Summing up his analysis, the economist said, "It is quite possible that if in the next two or three years

there are oo substantial results that can be sensed hy everyone, the fate of perestroika may be threatened."

To huy time for long-term change, Mr. Gorbacbev has pressed the party and government

to take urgent steps to increase the availability of food, consumer goods and housing and to improve the quality of medical care. These

stopgap measures have not as yet produced visible results. Mr. Gorbachev and many of his countrymen, frustrated by the gla-

cial pace of change, appear to have concluded that a fundamental economic restructuring, including de-

centralization of economic management, has been undermined by the party itself. We cannot embark on the most effective variant in the economy without conductiog a perestroika

in politics," Mr. Popov said in his article The beart of the problem, according to several of Mr. Gorbades, is rep

By Elaine Sciolino New York Times Service WASHINGTON - "We will not be squeezed by time." Khalil not be squeezed by time." Khalil al-Wazir was fond of saying when people asked him why the Palestine Liberation Organization was un-willing to make peace with Israel. Better known by the nom de

Abu Jihad: A Lifetime

ing, was nothing if not patient. The son of a grocer who fied with his family to Gaza after Israel was created, Mr. Wazir began his poliocal activities in the 1950s, when, as the

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Austria A.Sci		39	2,700	33	1,500	25		ghetto and Jews visiting p from abroad. The last gr	oup to-
Belgium B.F.		37	6,300	31	3,400	25		duded several survivors	of the
Denmark D.K.		33	1,500	25	830	17		ghetto. Gathered at an official	monn-
Finland F.M		41	1,000	35	550	29		ment to the Warsaw ghet	to, the
France F.F	1,600	37	880	31	480	25		crowd heard a letter from Walesa, the leader of Sol	n Lech
Germany* D.M	L 600	39	330	33	182	26		paying homage to the 44 day	Y Strug-
Gr. Britain	E 135	38	74	32	41	25		gle by poorly armed Jewis batants against Nazi forces	h com-
Greece Dr	. 25,000	47	14,000	41	7,700	35		pressing regret about incid	ents of
Ireland flr		43	85	38	47	31		Polish aoti-Semitism.	100
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ganized opposition, were oot attended by Israeli officials or by visiting leaders of the World Jewish Congress, who apparently wished to avoid offending Corumtinist atthorities. growing." he said. Both events, however, were at-

Perestroika, which means retended by an unusual mixture of structuring or reconstruction, is the itioo intellectuals, common word most often used in the Soviet s moved by the history of the Union for Mr. Gorbachev's proand Jews visiting privately gram to revive the stagnant econoabroad. The last group tomy and reduce rigidity in the Soviet several survivors of the SYSTEM

While central economic ministries say they support perestroika, Mr. Shmelyov said, many actually are working to undermine it by the leader of Solidarity. frustrating the intent and letter of somage to the 44-day strug- new policies.

Citing a problem that Western economists also have mentioned, Mr. Shmelyov said that government agencies, in the name of introducing a new system of economic management, have simply substituted one form of central control for another.

line, which stresses only The problem centers on a new system of local control called khozraschot that was approved by the Central Committee in June and is

district party organizations and the "One cannot fail to see that the system of power, patrocage and hidden, and sometimes open, resisprivilege that makes them inherently resistant to change. tance to perestroika from many re-The nature of the Soviet system meot and ecocomic organs is - with almost all power concen-

trated in the party - has left many of Mr. Gorbachev's economic and social programs hostage to local Communist officials who cot only lack an incentive to help him but have every reason to oppose him. Mr. Gorbachev's policies directhy threaten the prerogatives of par-ty officials - everything from cars, drivers and special stores and medical clinics to the power to dispense jobs and dictate policy to schools,

factories, collective farms and icwspapers On June 1, for example, 400,000 in Kuwait where they began to rough party and government officials cruit Palestinians for their move around the country will lose their ment. After persuading the Algert

office car and driver under a Gor- ans to train about 100 Palestis bachev decree. One Moscow editor said recent-

his first major guerrilla operation. hlowing up water tanks ocar Beit. Hanoun It was as a law student at Alexandria University during the 1956 Middle East war that Mr. Wazir

met two other students, Mr. Arafat and Saleh Khalef. Together, they founded cl-Fatah.

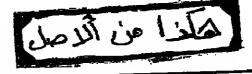
After droppiog ont of law school, Mr. Wazir married his cousin, Intissar, who shared his commitment to Palestinian nation alism and had served in his place in his absence. In addition to his wife, Mr. Wazir is survived by three sous and two daughters.

lo the early 1960s, Mr. Wazif. Mr. Arafat, and Mr. Salch reunited guerrillas. Mr. Wazir and Mr. Art fat traveled to China in search of

ly: "You must inderstand what is means when these privileges and powers are removed. You are threatening a way of life that has must in our society under Sta-

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with a product. Most people do it

Hiroyuki Hiramatsu is not rich.

Hiramatsu, 35, remembers trudg-

"I'm sure l'm not poor, but l feel

middle class," he said. "I can buy whatever I like, and whenever I

want to go overseas, 1 can go." Nonetheless, he said "I can't buy as

Mr. Hiramatsu and his wife, who

serves as maître d'hôtel, together

earn \$138,000 a year, compared

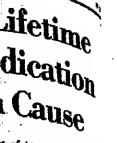
with the national average of

much as a rich American."

\$46,000.

the other way around.

INTERNATIONAL HERALD TRIBUNE, MONDAY, APRIL 18, 1988



t of his high school such a. he organized a back to challenge Egypt to the Gaza Strip. New York Times Service TOKYO — Akira Akagi likes fine cars. He owns a Rolls-Royce, a Bentley, a Mercedes and a Porsche. the Gaza Strip. Synth itter known by the too it re Abu Jihad, or "taber" re Abu Jihad, or "taber" to Yasser Arafat in effait to Yasser Arafat in effait 1950s and which remains to ince violent the He is awaiting the arrival of another Porsche, the 959. Although the 43-year-old entrepreneur will seldom get the chance to drive his new \$350,000 sports car --- he will be too busy running a \$600 million group of real estate companies. boutiques, sports clubs, travel tories last December Mark had been the PLO officer asible for coordinating they asible for coordinating they asible for coordinating they as Some PLO official they as ins role in the uption. agencies, restaurants and a racing team - that does not trouble him. "I get a feeling of satisfaction," he says, "from owning it."

Mr. Akagi is one of the new ricb in his country, emblems of the new Japan. Within the last 10 years, as his role in the uprime to Japan has staked its claim as the premier world exporter and - 40 years after its defeat in World War fr. Wazir urged the Palence isans not to use guns a te - has emerged as the leading creditor nation.

and a second second

By Susan Chira

a expressed pride that the statistic fighting the Israelis of nes, not bullets. Wr. Wazir. who was deply

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Mr. Wazir. Who was deply Mr. Arafat. earned a topolo-a moderating and contact ce in an organization that cen been fraught with infete Mr. Wazir commanded the more of dissident officers to th Mr. Arafat for example (alt his own base of support the meeting last on support it the meeting last spring dit alestine National Cound to LO's legislative arm, he mar rumental in creating the faste ution that said that the fast ould be willing to have some et with aon-Zionist Jews with med Paiesunian rights. Mr. Wazir's death leaves it

us political vacuum in the hi adership. There is no leadershi rgunization, with the same in arity with the occupied unit or the same abilin to mode ogical feeds within the PLO

As the PLO representative onot Jordanian-Palestinian m mutter for development of the tories for example, he had as mate knowledge of the politing: social dynamics of the imme and wreided cor.s.detable poet controlling the PLO funds line into them. in addition brack himself on closely following or IWEST IT. ISTACH poblics.

"He are someone above is ev was Paussinian minorde saul Heiena Cobean, a grante ar at the Borokings Insoming author of a recent book are PLO "He was also the borne ent, but with considerable me of the SMR.

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Japanese fashions. Buildings showcase the inventiveness of a new gen-

eration of Japanese architects. "Ten years ago," said Mitsuru Saito, a senior economist at Sanwa Research Institute, "if you went sking, you would use the less-expensive night train and stay at lowcost guest bouses. Now, people take the bullet train and stay at resort hotels."

Capitalizing on the recent leap from prosperity to affluence io their country, entrepreneurs have made fortunes within a relatively. short period.

Real estate developers, restaurateurs, architects, fashion designers and financiers, the new rich are different from the old. The latter category includes aristocrats who lost their titles but not their social status after World War II; descendants of the families that established the giant zaibatsu, or con-

from poverty to prosperity. The old rich tend to act as 1 class

apart. They hide their wealth from most Japanese, abiding by the adage that the rich wear silk indoors and cotton in public. Such restraint was doubly important in the postwar years, when most Japanese were poor and conspicuous consumption was considered not only

vulgar but provocative. By contrast, most of the new rich mingle with ordinary Japanese. There are many more of them. In a country that is undeniably prosperous, they are less sby about flaunt-

ing their wealth. Generally, they made their money in different ways than did the old rich. Rather than founding companies to export products, many of them sell services to Japanese who finally have enough money to spend on luxuries.

In the past, most Japanese who The capital city reflects this new glomerates; and postwar In the past, most Japanese who wealth and confidence. Tokyo entrepreneurs such as Akio Morita became rich did so only after years

since the Communist government began to ease curbs on religion in 1979. But this was the first

public sermon by a pastor of Mr. Graham's re-nown. He spoke through an interpreter. "Read the Bible. Work hard and bonestly," Mr.

The Chongwenmen church, originally Method-ist, was closed during the Cultural Revolution, a decade of poblical turmoil that ended in 1976 and

saw the destruction of thousands of churches,

temples and mosques. It reopened in 1982.

Graham said. "And don't complain."

gleams. Boutiques sport the latest of Sony Corp. who created the of patient hard work. But some of companies that propelled Japan the new rich have become million- used the proceeds to start Folio. aires overnight, not through business acumen but by being lucky enough to own stock or land at a time when prices were soaring. A

plot of land bought or inherited years ago might have grown in val-ue 10, 20, 100 times; stock holdings have similarly increased. Yet, the visibility of the new ricb

and their swelling ranks bave sparked fears that the gap is widening between the rich and everyone else, Indeed, 60 percent of the people who responded to a recent poll in the Mainichi Shimbun newspaper said they believed the disparity between classes was steadily increasing. This perception threatens one of the most precious assets of postwar Japan: the belief that evcryone belongs in the middle class. Tn understand the fervent aitachment to the idea that Japan is a nation of middle-class people, one has only to remember that World War 11 destroyed not only cities but also landed aristocrats, business magnates and economic inequal-ities. Japan rebuilt itself intn a society with one of the most even distributions of income in the world. For 40 years, the Japanese have taken comfort from the fact that most share a similar standard of living, and this has done much to ensure

social stability. The emergence of the new tich is prompting a debate about what to do with wealth and power in Japan. Many Japanese believe the affluence of their country should enable them to lead better lives. Others worry that rampant materialism has become the only goal, corroding such traditional values as selflessness and the importance of community.

Furthermore, if disparities in income and styles of living become glaring will workers continue to put in long bours for the good of company and country? It was, after all, that unquestioning acceptance of the need for personal sacrifice that allowed Japan to become the economic giant it is today.

Hiroshi Aoyagi can afford a four-carat diamond ring for his wife and extended vacations in Hawaii, which be called "the closest thing to paradise on earth."

He remembers bunger. Born in 1941, he lived through the wartime devastation of Japan and its slow struggle to rebuild. But by the time be was out of college, his country had embarked on its dazzling ascent to industrial might.

He worked in an advertising agency for several years. When be was in his early 30s, be left with \$5,000 in savings to start his own business. His first venture, a trading company, failed. But Mr. Aoyagi said be learned a valuable lesson: Do not compete with big companies on their own turf.

So he opened a travel agency and agencies in Japan. His other ventures include a typesetting operation and an advertising and publicrelations agency that brought chasers. "42nd Street" from Broadway to

Japan. Although Mr. Aoyagi's companies gross about \$80 million a year, he draws a salary of only \$500,000, putting most of the corporate in-

come to use in new ventures. He lives with his wife in an apartment in Aoyama, a fashionable neighborbood in Tokyo, is driven around in a Rolls-Royce and owns two summer villas. He spends little

become glaring, will workers continue to put in long hours for the good of company and country?

Takya 10 play tennis, his newest to the new rich. Those who had hobby. During January and most saved to buy a home only to watch of July and August, be abandans in borror as land prices made that Tokyo for Hawaii. "I enjoy vacations more than do-

ing business," he said. "People clothes, jewelry. work to make money, and they work like crazy. After they are 55 or 60, most people can afford a long vacation, but by that time I could be dead or too old to play tennis. Yet, he has turned the pursuit of leisure into prnfit. "What's different about me is that work is an extension of my bobbies," be said. "I've been playing tennis, so I said in myself, 'If I had a tennis club, I'd "I've been playing tennis club, I'd

Just how many people qualify as poor? In the life style they lead tennis club. new rich is hard in determine. The after 6 P.M. or on weekends. For national tax administration agency reported that \$8,306 people each bappy. To recover from this pover-paid more than 10 million yen ty will be the problem that Japa-(roughly \$81,000 at current ex- nese face from now on." change rates) in income tax in 1986. The number paying more than 100 cars, became wealthy by sensing million yen that year was 1,226. these needs. For 13 years, be According to the Misawa Homes Institute of Research and Development, the number of people who owned land worth at least \$2 million more than tripled to 333,500

from 1980 to 1987. zine reported that 154 Japanese were worth 10 billion yen or more, compared with 80 in 1985. That survey did not include such famous billionaires as Yoshiaki Tsutsumi, the railway and real estate magnate whom Forbes magazine called the was a risky approach, because in richest man in the world, because order to get enough land for sizable his assets are owned by his compa-

By and large, bowever, chief executive officers tend not to reach the ranks of the very wealthy be-cause they are salaried employees.

luxury cars, large-screen televi- company in addition to running his sions, custom-built kitchens, im- own ventures. His salary, he said, is around \$600,000 a year, of which ported furniture and upscale elecall but \$150,000 goes in taxes. But tronic equipment have soared in Tokyo, and marketers said the new such things as his penchant for cars can be satisfied under the corporicb are among the most avid purrate umbrella.

Neither the stock market colcalled Leyton House, and he used lapse of last October nor a decided the logo on racing cars that he slowdown in previously booming land prices appear to bave sponsors. His racing team has garnered a stemmed the rush to consume. great deal of publicity in Japan. Powered by renewed Japanese ecoand last year, Mr. Akagi intronomic growth, the stock market has duced Leyton House brand sportsbounced back to pre-collapse levwear, one line of which carries his els. Land prices may noi be going up, but they remain much higher racing colors, peppermint green. than they were a few years ago. "When I first started sponsoring The buying of luxury goods and races," he said, "I didn't really have any product to sell. So I created the brand name and then followed it

If disparities in income and styles of living

years ago, knocking on restaurant doors in find a coef willing to take time in them; instead, he stays near services, however, is not confined on an apprentice. Now he owns Chez Hiramatsu, an elegant French restaurant that has become a fixture in the Azabu neighborbood of Tokyo. Dinners generally cost an impossible dream are now spending their money on fine cars. more than \$150 per person, and his restaurant is packed.

Beynnd possessinns, creative marketers see opportunities in services as Japanese seek fuller lives outside work. Junior employees, for example, may save on expenses by living with their parents but treat themselves to \$200 meals at French restaurants every month.

do it this way." Now, he owns a ology at Keio University in Tokyo "but in what way are Japanes

> years, to be busy at work was to be bappy. To recover from this pover-Mr. Akagi, the collector of fine father in agree in his plans for ex-

pansion, so he quit to start his own business six years ago. We had a very bad argument, Last fall, Nikkei Venture maga- and he was so angry he didn't even pay me any retirement settlement," Mr. Akagi recalled. He was finally

able in extract enough of a sum in start a real estate business of his own, based on buying relatively inexpensive back lots in Tokyo. It buildings, be needed to buy front lots as well. But as land prices in

the city rose, he said, he managed to outbid rivals for front lots. Three years ago, Mr. Akagi was reconciled with his father. He now

Sales of jewelry, paintings, furs, serves as president of his father's

Newly Rich May Consume the Middle-Class Consciousness of Japan As a self-employed businessman. he has the further advantage of being able to charge most of his expenses to his company, a tax provision that explains wby it is mainly self-employed people who are able to amass significant wealth in Japan. His restaurant owns the Mer-In 1986, he opened a restaurant

Page 7

cedes he drives. His trips to France twice a year, where he leads his staff on culinary tours in search of new ideas, are largely tax-deductible_

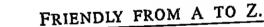
The resistance Mr. Hiramatsu has to seeing himself as affluent reflects the Japanese embrace of the middle-class ethic. A 52-yearold owner of an office that prepares legal documents recently sold 600 square feet of land in central Tokyo for a price be said amounted to millions of dollars. He took his earnings and bought three bouses in Australia. One house included a yacht and a pool. In Japan, howev-At least, that is what he thinks. Mr. er, he lives modesuly in a small house in Tokyo and drives an old ing through the streets of Paris 10 Nissan. "I don't want in give my name," be said, "because in Japan,

being inconspicuous is a virtue." CARAVEL ATHENS - GREECE 100% FIREPROOF DE LUXE BUIL7 1975 Telephone: (301) 729.07.21 Fax: (301) 723.66.83. Telex.: 21.44.01 or 21.87.14 CH GR ROOMS FROM \$30

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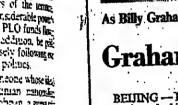


AND RUSSES

Graham Prays for China's Modernization

BELIING - Billy Graham, an American evangelist, preached in a packed Beijing church Sunday and said he was praying for China's 'moral mod-

"China is undertaking a modernization pro-gram." Mr. Graham, 68, told a congregation of 1,000 in the Chinese capital's Chongwenmen church. It is my prayer that there will be a great moral modernization, too." Other foreign clergymen have preached in China



ernization."

Mr. Warn was consumely

Over the years he should million stategist outside B

In 1454, when Mr. Wairway



As Billy Graham spoke Sunday in Beijing church, his words were translated by Philip Teng.



Orient. In traditional terms the East, in modern terms the Middle East. From Austrian Airlines point of view one of



AUSTRIAN AIRLINES

THE FRIENDLY WAY TO FLY.

friendly Airline's special regions. from flights Western Europe to destinations in the Middle East and North Africa via Vienna. See also Middle East and North Africa route network.



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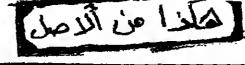
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ADVERTISING SECTION

Page 9



ADVERTISING SECTION

With a new assertion of business confidence, Bahrain companies now see the country's potential role as a bridge to the markets of the Gulf Cooperation Council nations and as a sophisticated host to visitors from the Gulf and elsewhere. There is renewed optimism as diversification of the economy goes forward, building on the base of the most advanced financial and communications structures in the Middle East.

AHRAIN'S unusually heavy winter rains have made the well-tended lawns and parks of Manama particularly verdant this year. Their spruce and manicured look matches the strong feeling in the business community that economic prospects are looking up, fol-lowing the beginning of a gradual recovery from the oil price slump in 1987.

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The mood reflects a sense of the past and future of an economy that has witnessed the full cycle of boom and recession in the region.

Situated halfway along the Gulf, off Saudi Arabia's Eastern Province, Bahrain occupies a strategic location on traditional Gulf trading routes. An abundance of Iresh water - which, from springs on the sea floor, helped nurture the early pearl industry - rogether with sheltered anchorages in the archipelago's 33 islands have made Bahrain a natural commercial center throughout its long history

Early decisions before the boom period led to development of a modern relecommunications and transport infrastructure that has been vital in maintaining confidence in Bahrain during a less expansive period.

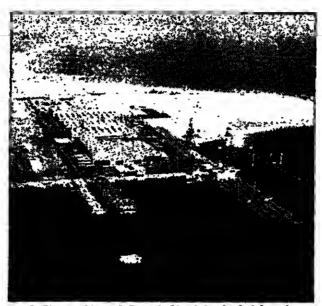
The record level of international telephone calls and the 1.5 million transit passengers who passed through Bahrain's international airport last year do not suggest a dotmant economic environment.

There is a more relaxed mood this year. Bankers are encouraged by the planned opening of the Bahrain stock exchange during 1988. This follows the establishment in 1983 of an information system linking Bahrain's stockbrokers and providing data on 34 companies.

The 25-kilometer (15 miles) cruseway linking Bahrain with Saudi Arabia opened in November 1986 and has had a significant impact, with one million vehicles having used the road link in the last year.

Apart from its industrial importance - providing a cheap land route between Manama's main port of Mina Sulman and Saudi Arabia -- the causeway is beloing one of Bahrain's main zims, the development of rourism.

Balazain has always offered an tabane and related environment to the professional visitor and a wealth of



Arab Shipbuilding & Repair Yard drydock (above); central Manama and diplomatic area, Bahrain (right).

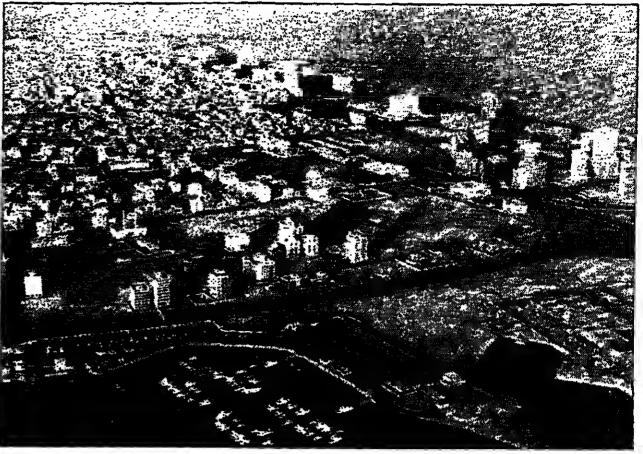
historical interest, now being steadily excavated, that traces Bahrain back 5,000 years when it was known as Dilmun.

From the government's viewpoint, tourism development, particularly aimed at Gulf nationals and their families, means the generation of foreign exchange, employment and encouragement of private investment in the services sector.

According to Information Minister Tariq Abdel Rahman Almoayed: "We want more Bahrainis to benefit directly from employment in tourism. There are now 5,000 jobs available in the horel industry. These are being filled at present by non-Bahrainis."

Another key aim, but a much broader task, facing the government is the consolidation of existing industry and encouragement of further diversification moves away from the diminishing role of all in the comony's future.

What has been achieved is already impressive. The



availability of Saudi crude oil in adequate quartities to supplement Bahrain's limited output led to the construction of the refinery run by Bahrain Petroleum Company (BAPCO) and now processing nearly 250,000 barrels a day.

The existence of natural gas also made viable the setting up of an aluminum smelter while the Arab Shipbuilding & Repair Yard Company (ASRY) operates one of the world's largest drydocks, able to accommodate ultralarge crude carriers of up to 500,000 deadweight tons. In 1987 its occupancy was nearly 90 percent.

Most of Bahrain's industrial base have had problems in the last two years. Problems have limited output at Arab Iron & Steel Company (AISCO), which is expected to be taken over by a group of investers led by the Kuwait Petroleum Corp.

The situation is more upbeat in Bahrain's aluminum industry, still the key to the government's diversification drive 17 years after production started.

The price per metric ton for aluminum soared in 1987 to an average of \$1,563, encouraging Aluminium Bahrain ALBA - 57.9 percent government-owned) to produce 180,000 metric tons last year, 10,000 above its rated capacity. With prices still firm, ALBA expects production to teach 220,000 metric rons a year by 1990.

Plenciful supplies of cheap natural gas bave boosted ALBA, which is providing jobs to 1,650 workers - the majority of them Bahrainis. Ancillary industries have also been developed, including Bahrain Aluminium Extrusion Co., International Bahrain Aluminium Atomizer Co., Midal Cables and the newest, Gulf Aluminium Rolling Mill

All of Bahrain's major manufacturing enterprises are seen as having bright futures, although officials say one lesson to be drawn from the industrialization process is not to spend heavily on big plants that create only a few jobs at high cost.

In partnership with the other Gulf Cooperation Council states, Bahrain is looking for opportunities for import substitution

At the beginning of 1987 the Ministry of Development and Industry, assisted by the United Nations Industrial Development Organization and Ireland's Industrial Development Authority, began researching import substitution manufacturing opportunities based on the Gulf markets.

Two seminars were beld last year in June at which these opportunines were presented to potential Bahraini private sector investors. Following the investors' expression of interest, the ministry, with the IDA, embarked on the next stage of obtaining overseas joint venture partners. A wide range of product areas has been identified for possible local production, including insecticides, mirrors, soap, electric

motors, transformers, bandages, gauze and boot polish. Government officials say: "We are encouraging small industries to replace imports and we will bring in foreign partners."

The government intends an increased effort, including setting up overseas promotional offices, to promote Bahrain as the most suitable location for overseas companies wishing to establish manufacturing units in the Gulf. The expanding markets in the Gulf Cooperation Council are estimated to comprise the ninth largest economic unit in the world.

In the next five years the GCC aims to substitute 30 percent of its imports by local manufacture. It also seeks to avoid excess production capacity. Therefore, it is argued, the manufacturing ventures established early will operate hear a privileged position.





ADVERTISING SECTION

ADVERTISING SECTION

Extensive Financial Presence Due to Bold Policies by Key Institutions

ANKING arrived in rudimentary form in Bahrain in 1921, when a branch of the Eastern Bank - now the Chartered Bank --- started business. More than 20 years later it was joined by others. But it was not until the middle of the 1960s that the island's spectacular modern banking era began.

The early pioneers had witnessed the gradual change of the economy from pearl fishing to oil production and the transformation of Bahrain into a service center for the Middle East.

Today the banking and financial system of Bahrain comprises the Bahrain Monetary Agency - the central bank authority -20 commercial banks, one specialist bank for housing and the Bahrain Islamic Bank. It also includes 69 offshore banking units (OBUs), 62 representative offices, 15 investment banks, 6 money brokers, 18 insurance companies and 21 money changers.

The extensive financial presence is due in no small measure to the bold and imaginative policies of the BMA, one of the region's most highly regarded central banks.

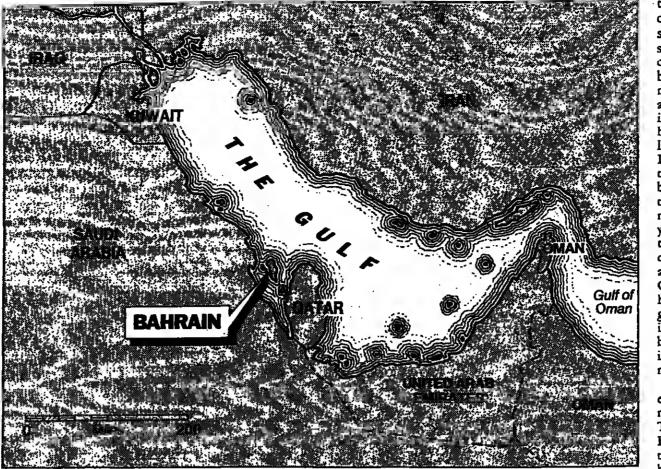
The BMA's plan to make Bahrain a center for international liquidity offered exemption from holding reserves with the central bank or from observing liquidity ratios. Withholding tax was not applicable to the interest earned by their depositors and no tax was to be paid on their income.

Expatriates have also been attracted by the open and pleasant living conditions in Bahrain. And the island's time zone has been important. Overlapping the closing of markets in Tokyo and the opening of those in New York, Bahrain's time position allows three to four hours for transacting deals with Singapore, Europe and London at rates prevailing in the world's major financial markets.

At present, the investment banks are the bestperforming sector of the local offshore market. Japanese security houses, in particular, are expanding their activities and staff to deal with demand for yendenominated securities in the Gulf.

The growth of Bahrain as a banking center has created a wealth of opportunities for its citizens. In 1986 the OBUs employed 2,113 people, 61.4 percent of whom were Bahrainis. In the same year the estimated direct financial benefit to Bahrain from the presence of the OBUs was \$197 mil-

lion Local banking still bears mercial banks to install an the mark of several substan- ATM in 1984 and has be-



tial foreign institutions including the British Bank of the Middle East (BBME), the second bank to set up in Bahrain in 1944. More recently BBME has led in the introduction of automatic teller ma-

chines (ATMs). It was the the market and competitive first of the big five compressures are encouraging Bahrain's institutions to pay greater attention to cus-

tomer services and operatcome a pacesetter in the application of electronics to ing costs. banking services. That is

A significant problem for the OBUs is that the type of activities they were set up to do, including the financing of foreign trade and provision of perfor-The changing nature of mance and guarantee bonds, has been reduced in the last three years.

in the future." Hussain Ali Juma, gen-

tional Bank EC, which recently announced its consolidated 1987 results showing a 21.6 percent in-crease in operating profits before provisions to \$9.6 million, is also confident about the future. It says the imminent relocation of its head office to newer and larger premises in Bahrain's Diplomatic Area can be taken as a sign of the bank's belief that it can continue to increase levels of business activity in the coming years. Apart from the zest they have brought to the development of Bahrain as a service economy the OBUs are recognized in having assisted in the growth of a forward market in regional currencies to the benefit of all those engaged in external trade and invest-

ment in the region. Their presence has also encouraged the establishment of exempt companies. These have headquarters in Bahrain but trade outside the island. Their number had grown from 16 at the end of 1978 ro 155 at the end of 1985. Bahrain's comeral manager of National mercial banks, as well as Bank of Bahrain, the oldest the OBUs, face challenges and largest local bank, as the region adjusts to a founded in 1957, says: "I do not think the OBU era is lower tempo of activity after the recession. But there drawing to a close. The is progress. BMA figures market is going through a show that, comparing the rationalization process. first nine months of 1986 to Those OBUs that have dethe comparable period of cided to stay are investing 1987, the combined assets of the local banks and Bah-

ALUBAF Arab Interna-

Arab Banking Corporation: The Fruits of Diversification

its formation, the Arab Banking Corporation has grown rapidly. The latest report and accounts shows that total assets grew by 20 percent over 1986 from \$14.582 bil-

N just eight years since lion to \$17.548 billion and that total footings at the end of 1987 stood at \$28.806 billion compared to \$24.162 billion at the end of 1986, an increase of 19 percent.

ABC is owned by Kuoutset, the bank's policy

wait's Ministry of Finance, the Abu Dhabi Investment has been to develop on a global basis. In the last re-Authority and Libya's Secport and accounts the Arab retariat of Treasury. Each of world was the source of less them paid \$250 million tothan 20 percent of ABC's ward the bank's authorized carning assets. \$1 billion capital. From the

rate side.

Led by operations in Europe and the Far East,

also reflected in the use of

the Hexagon computerized

system by BBME's corpo-

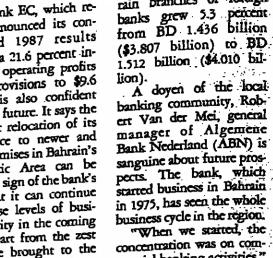
worldwide growth is reflected in a steady stream of acquisitions, including controlling shareholdings in Spain's Banco Atlantico group, International Bank of Asia (formerly Sun Hung Kai Bank) in Hong Kong and West Germany's Richard Daus & Company, as well as a 25 percent stake taken in the Union Bank of Bangkok in 1987.

More recently, performance has reflected the growing impact of ABC's diversification program as it moves from being an off-

tive tole in the world's major financial centers.

Early in 1987 ABC moved into its spacious and prestigious ABC Tower headquarters building in Manama's diplomatic quarter and subsequently introduced a wide-ranging reorganization of group management. This has involved setting up a Bahrain head office branch as well

as the creation of several senior executive positions and management committees. These moves assist the control and coordination of ABC group's diverse and expanded international network, which now employs more than 5,000 people. ABC's acquisition policy has done more than establish its presence. Arab



when we started, the concentration was on commercial banking activities," he says. "Now the focus is on foreign exchange and vehicles such as treasury bills, bankers acceptances as well as specific products such as interest rate swaps, options, futures, forward rate agreements and investment advice."

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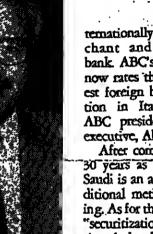
rain branches of foreign

"ABN's strategy in the Middle East has been a typical one of go out and show your face and get trusted. Our rationale for a branch is long-term as is our relationship with clients," he says.

"ABN has had branches in the Far East for more than 100 years. We have experienced 10 good years in Bahrain and two lean ones. We have had to trim a bit and have increased automation but we came to stay. This is an important part of the world and will remain so." -A. R.

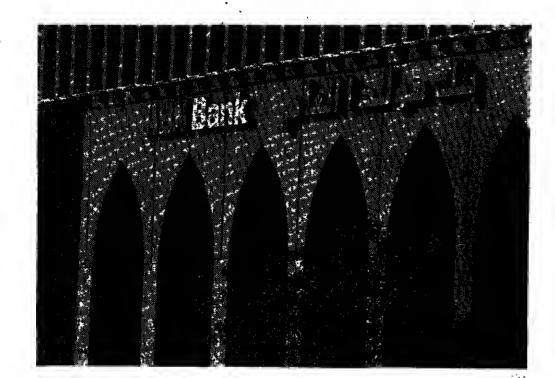
ternationally active merchant and commercial bank ABC's Milan branch now rates the second largest foreign banking operation in Italy, comments ABC president and chief

After completing nearly 30 years as a banker, Mr. Saudi is an advocate of traditional methods in banking. As for the trend toward "securitization" of international lending through commercial paper and note issuance facilides, ABC is not convinced that these new capital instruments represent a realistic longterm substitute to direct bank lending for many countries and corporations. "After last October's stock-market crash, a lot of banks, us included, are reviewing the trend and emphasizing traditional lending," Mr. Saudi says. Future development of ABC's banking base will be dictated by market condi-tions. "No acquisition is really in mind, but we would not decline an opportunity which was unlikely to be repeated," comments Mr. Saudi. Geographically, the Far-East is seen as important to the future. "We feel that our existing presence there must develop because of the flow of business between the two areas," he SAVS. What concerns Mr. Sau-di are the blanket generalizations that outsiders. make about the business environment in the Middle East. Mr. Saudi is particularly critical of the demand for provisions in accounts which, as an international bank, ABC concurs with, "The trend towards making provisions may be suitable for the U.S. or Europe, where taxation questions may be a factor. For us the importance is to have the funds." "The international community should judge the region by its assets in the ground," he contends. "I believe in cycles and by 1993-95 we will see the oil price going up. I am full of confidence about the availability of funds. We have to adjust to new trends and overcome difficulties and have to be cautious but not look at things in a simplistic way."



Abdulla Saudi, president, Arab Banking

executive, Abdulla Saudi.



DEALING: SEVEN DAYS A WEEK

Any currency, any day. ABN's fully automated Offshore Banking Unit in Bahrain can deliver almost any request. We are market-makers in Gulf currencies and trade as well in U.S. dollars, Japanese yen, and European currencies. ABN Bahrain also offers full retail banking services at its Domestic Branch. Plus astute advice on capital markets from our Investment Banking Representative. Bahrain is the heart of ABN's network in the Middle East, which includes the United Arab Emirates, Lebanon, and Pakistan. And we maintain close ties with Albank Alsaudi Alhollandi, a Saudi Arabian bank with 26 branches, originally founded by ABN in 1926. ABN Bahrain. With a multinational, multilingual staff (75% Bahraini). A truly international Dutch bank. Linked to over 200 offices in 42 countries abroad. A bank where customers count. 🔅 🔆 Bank

Branches Algemene Bank Nederland Bahrain: Bahrain Car Park and Commercial Center, Full Commercial Branch: Tel. 255420, Telex 8356. Offshore Banking Unit - Dealers: Tel 27331, Telex 8433. Investments: Tel 250123, Telex 8614. Management: Tel 255420, Telex 8614. In the Middle East: Dubai, Tel. 225156. Sharjah, Tel. 355021. Abu Dhabi, Tel. 335400. Beirut, Tel. 894520. Karachi, Tel. 524226/9. Regional office for the Middle East and Africa: Bahrain, Tel. 255420, Telex 8614.

shore entity operating in the interbank market toward becoming a leading international institution.

ABC is now playing a more direct, varied and acBanking Corporation-Daus & Company has, for example, been transformed from a private West German banking house into an in-

For worldwide communications, **Bateleo knows!**

Bank of America, British Airways, Dow Jones, IBM. Reuters have one thing in common. They all use Batelco's services in Bahrain which include:

- Message Switching
 Private Automatic Line Switches
- Private Packet Switched Networks
- Private Leased Circuits
- Intelligent Terminals

Multinationals and many more have recognised the value of establishing their telecommunications links via Bateleo in Bahrain to provide inter-office communications in the Middle East and around the world

Being at the centre of the Arabian Gulf. Bahrain commands strategic and simultaneous access to the region's lucrative markets. Bateleo's state-of-the-art telecommunications facilities offer you superior efficiency. improved cost-effectiveness and greater security. Throughout the Middle East and beyond.

Call us, and we will tell you how

or details, call Bahrain Telecommuni PO Box 14 Babrain Teles 37 Telephone + 973 2483121

هكذاهن الأح

ADVERTISING SECTION

the Black Monday stock-

market crash. Last October

the Dow Jones and Finan-

cial Times indexes fell 36.1

percent and 32.1 percent be-

low their year-high levels.

In the same period, the

lowest that the Nikkei Av-

enge fell below its 1987

high was 17.8 percent. It

then rebounded 4.2 percent

within a week, making the

Tokyo market a focus for

international investors.

Losses in Tokyo were, Mr.

Morozumi points out, off-

set by the appreciation of

the yen against the dollar.

thought many investors

would withdraw from the

market; in fact the response

has been the opposite," he

comments. "Our business

depends on the market. But

we feel the worst is over

and things have bottomed

out, though this may not be

reflected in accelerated re-

covery. However, one can

see quite significant devel-

opments in the next three

to five years. Investors can-

not depend on dollar de-

nominated stocks. People

are diversifying and once

they start they continue.

We offer a diversified port-

folio to clients large or

term prospects, declaring:

"The cake can get bigger

because the client base is

there." Client potential is

scen in Bahrain as well as

Saudi Arabia and Kuwait.

"Many would like to know

more about the markets we

Meanwhile, the Japanese

presence in Bahrain ma-

rures to accommodate a

growing interest and aware-

ness of the investment pos-

sibilities available both in

Japan and other Far Hastenn

-A. R.

It's on long distances that luxury

And if you're going as far as the

Wherever you're bound for:

you're bound to enjoy it on

or Gulf Air for details.

Hong Kong, Manila, Bangkok . . .

Ring your local travel agent

Far East, there's no smoother, more

civilised way to travel than with

really becomes a necessity.

Gulf Air.

Gulf Air.

deal in," Mr. Shoji says.

is the same."

"After the crash we



Takoa Nakajima, head of Nikko Securities M.E.

THE Japanese were relative latecomers to Bahrain. They experienced the final years of the region's boom period as well as the more subdued business period that followed. Commitment to Bahrain as a center for opcrations in the region, however, remains undiminished. The posiove animide is reflected at government level by the raising of the

this April. The number of Japanese citizens living in Bahrain is estimated to have doubled to about 500 in the last three years. In the financial . sector, 17 Japanese banks and eight securities houses are represented on the island. The latter m particu-

prospects. In June, Nikko Securities Company expects to announce the formation of Nikko Investment Banking (Middle East) as an exempt. company. Daiwa is also cxpected to raise its status while Sanyo Securities is due to add to the already formidable Japanese pres-

28.5

ence in Bahrain. The location is seen not only as an excellent bridge between the Far East and Europe but also as a magnet for Middle East funds seeking an ourlet in the growing econo-mics of Japan and the rest of Asia Takoa Nakajima, chief

representative for Nikko Securities in the Middle East, declares: "I am very positive and optimistic Japanese consulate to full about the market." His ambassadorial status from opinion is echoed by other senior lapanese executives

in Bahrain. According to Isao Shoji, managing director of Okasan International: "There is still a lot of money in this part of the world looking for investment opportunities." The Japanese invest-

ment market is seen as parlar display confidence about ticularly attractive at the current business and future present time. As Mr. Nakajima points out, the fundamentals in the Japanese economy are sound and estimates for the fiscal year

ending March 1988 indicate that the average ordinary profits of all listed Japanese companies will show an increate of 29 percent over the previous year.

Kenji Morozumi, presi-

INTERNATIONAL HERALD TRIBUNE, MONDAY, APRIL 18, 1988

Building an Insurance Market in the Arab World dent of Nomura Investment Banking (Middle East), also emphasizes the lessons to be drawn from

RAB Insurance Group (ARIG) **L** will have completed seven years of operations by this July, a petiod in which it has established a respected and expanding role for itself in the international insurance and teinsurance market.

A net income of \$15.1 million was announced by ARIG's board on March 17 together with a dividend totaling \$10.5 million -the same as in 1986.

The most significant aspect of the group's results is that, for the first time, ARIG made a profit of \$6.9 million from its reinsurance operations compared to a loss of \$3.8 million in the previous year. Last year's carned premium income of \$157 million was also an impressive increase of 31 percent over the 1986 fig-

ure of \$119.7 million. The group was formed with finance from Liby2, Kuwait and the United Arab Emirates in 1981 in Bahrain with the intention of escablishing an Arabbased and Arab-managed insurance adjunct to the world insurance scene.

According to its general manager, Nooruddin A. Nooruddin: "Basically the strategy is to build a home marker in the Arab world. We believe we can do it in all branches of reinsurance"

However, the pace of rowth for ARIG has reflected its international opcrations. Four years ago about one-third of ARIG's business came from Arab markers. These now account for one-fifth, not because of an absolute decrease in the region bur because of the faster increase of business in other markets.

ARIG has seen a steady expansion in all areas of its activities since its formaoon. The highest rates of expansion have been achieved in the specialist areas of aviation and oil cinsurance.

From the outset ARIG has emphasized the development of an international facultative book of business based on a selective and conservative underwriting policy. By the end of 1986 the gross written premium in the facultative division

was \$116.8 million, representing nearly two-thirds of the group's rotal gross written premium.

The biggest proportion of this was accounted for by aviation reinsurance while offshore oil business augmented the gross premium from the oil production sector, refineries and petrochemical plants.

ARIG has a particular commitment to the aviation industry and has built up its account to the extent that it participates in the majority of the world's airline insurance programs. The group's policy is to write purely major risks. In 1986, 43.7 percent of ARIG's aviation market was in North America, 23.6 percent in Europe and 13.6 percent in Arab countries.

It was not until 1985 that ARIG's oil department started to extend cover to offshore risks, reflecting the group's cautious policy of nor proceeding until it has the necessary copertise.

worsened in 1987, are ex-In the oil reinsurance pected to remain weak business, rechnical knowlthroughout 1988. In spite edge is essential. Not only does ARIG have the capacof this, ARIG is confident

ity, but it has built up in of being able to sustain a the last few years extensive modest rate of growth in premium income in 1988 worldwide contacts and developed the expertise to serand looks forward to a year of record profitability. vice the oil industry's high-

ly specialized needs. In 1986 the majority of onshore premiums (31.9 percent) came from Arab countries and most of the offshore premiums (30.2 percent) from North America.

business in 1986.

Insurance market condi-

tions, which had already

business.

strengthen its position in rhe Arab and Afro-Asian ARIG has adopted a semarkets. To reinforce the lective underwriging policy strategy, ARIG will shortly with regard to treaty busibe opening a branch in ness. Fire accounts for 59.9 Hong Kong and then anpercent of the portfolio and other in Tunis, in addition marine cargo 17.8 percent. to its existing contact office The geographic distribuin London. tion of activity reflects a commitment and support The group is also pressing ahead with its policy of of the Arab markets, which

provided 43.5 percent of developing a high level of Arab insurance skills and Since 1981 ARIG has an ongoing training proconcentrated on a selective gram has already produced penetration of its various a number of highly qualified Arab underwriters. markets, developing professionalism and annual ARIG's future is intergrowth based on quality

national. "Through new marketing and distribution channels we expect to penetrate new markets, especially in the Arab world," Mr. Nooruddin says.

"We have to plan ahead

and are taking the strategic

decision to place ourselves

closer to markets," Mr.

Nooruddin says. In particu-

lar the company intends to

-A. R.

Page 11

small and the quality of Aluminum Industry Turns in a Record Year information offered to both Mr. Shoji of Okasan is also confident about long-

N 1971, when the Aluminium Bahrain (Alba) plant began operations, it marked the island's first and biggest at-

tempt to diversify its economy. The performance of this 57.9 percent government-owned investment has since exceeded all expectations, as production is running at record levels and world aluminum prices have reached an all-time high. Since the operation began, Albs has postuced over two million metric focus of Bahrain's industritons of metal, and operated

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more chan BD 700 million (\$1.856 billion) worth of exports.

abundant supply of cheap

natural gas. Alba's efficient

management techniques

have further helped contain

production costs, which

have remained constant for

With Alba acting as a

more than a decade.

arions have naturally followed. Bahrain Atomisers Strategically located bewas Alba's first spinoff, set up in 1972 to produce alutween Western Australia's minum powder for the raw material sources and the Asian and European manufacture of paints and explosives. markets, Bahrain also en-In 1976, Bahrain Saudi joys the advantages of an

Aluminium Marketing Company (BALCO) was csrablished. BALCO markets the government's share of Alba's production alongside that of Saudi Arabia, which has a 20 percent interest in the smelter.

ARAB

alization, downstream oper- trusion Company (BA-LEXCO) was set up the following year. Though it can produce all types of extrusions, its output typically reflects the construction industry's needs for items such as doors, cladding and window-frames.

Midal Cables followed a year later. The Gulf's sole specialist producer of aluminum conductors for overhead power transmission lines, it is one of the lar users of Alba's highquality output. Most recently, the Gulf

Bahrain Aluminium Ex-

Aluminium Rolling Mill Company (GARMOO) was set up to produce sheet and coil aluminum. It represents the first big project undertaken by the Gulf Organization for Consulting (GOIC) and is the largest downstream aluminum venture in the region.

Now Alba is planning to invest over \$100 million in its smelter. The move should take production levels to 225,000 metric tons per minute by 1991.

-A. R.

ABU DHABI • AL-FUJAIRAH • AMMAN • ATHENS • BAHRAIN • BANGKOK • BOMBAY • CAIRO • COLOMBO • DAMASCUS •

mackees.

בניבים המנה בנהידה בניים insuance facilities, ABCs דמי זבל למותיידה: זהה new capital instrumen (* represent a ministrip start subsatute to int bank maine in m COMMETTER 250 CONTRACTOR "After last Octobelisat marker oright a lie a. banks, us millioni are viewing the time aid Phasizing maintaile mg." Mr Saud sat Funer analysis ABC coursinging mikt afferdera to right and Mones No inguistration وه خد فرو م 100 wald not unline a P POSTATION ALLO X3 P Their to be repetted an ments Mt S.LE Geographian at East is war a mouth the family Weited מער באומרים מתפרא של מישור מישיב איניים אוווא the flow of humans to North and The state & Webar Conterns Main SITS di are the Marin pro-Cataons that with make in at at CONTRACTOR IN LESS East Mr. Sand TANK IN ANTER -21.5 bank Ale and The section and the

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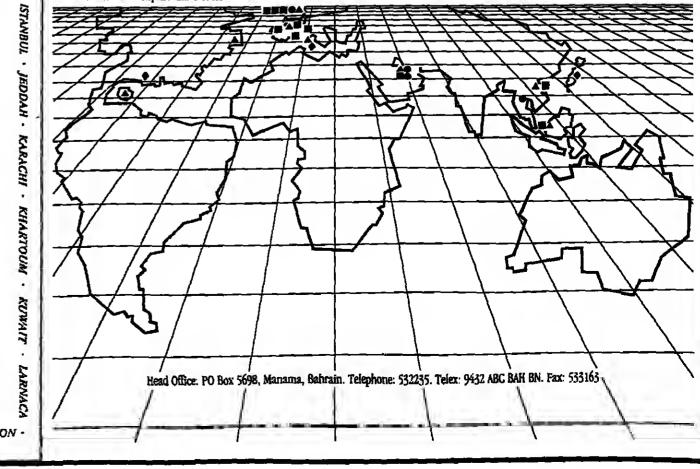
LUXURY TAKES FLIGHT TO THE FAR EAST.

BANKING CORPORATION (B.S.C.) FINANCIAL **IGHLIGHTS 1987**

Arab Banking Corporation (B.S.C.) experienced another year of balance sheet growth and at the same time maintained satisfactory operating profits during 1987.

Operating profits for the Group before taxation, minority interest and loan loss provisions amounted to US\$188 million compared to US\$175 million for last year. To reflect the realistic and current status of LDC debts and its required provisions of US\$375 million, the Board of Directors decided to allocate all profits after cases and minority interests to loan loss provisions in addition to US\$217 million transferred from reserves and retained extuines.

Financial Highlights - 1987		
	1987	1986
	(in millio	n US\$)
Total Assets	17,548	14,582
Total Loans & Advances	7,171	5,999
Marketable Securities	1,268	1,056
Deposits with Banks & other Financial Institutions		
(placements)	7,422	6,351
Total Deposits	14,322	11,629
Deposits from customers	5,538	3,530
Deposits from Banks & other Financial Institutions	8,784	8,099
Total Capital Resources	1,726	1,719
Shareholders' Funds	1,058	1,261



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ADVERTISING SECTION

Communications: A Sophisticated Link in a Global Network

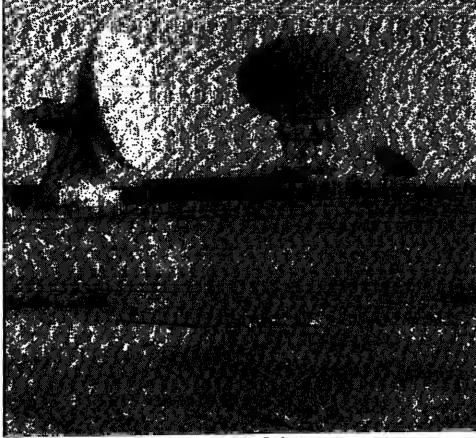
VISITOR walking in the main thoroughfare of Manama is soon aware of bow pervasive, widely used and vital telecommunications are to the island.

A car drives by, its passenger in carnest conversation via a radiotelephone. In nearby offices, financial dealers monitor the computer screens that link them with stock markets across the world. From one of many public boxes in-scalled by Bahrain Telecommunications Company (Barelco), an American casually places a collect call to Texas. Bahrain is truly a relephone society.

Availability of broadly based and reliable telephone services plays an important social as well as business role in the island, allowing both ordinary Bahrainis and workers from outside to maintain regular contact with their families from afar. Bahrain's present ratio of 30 telephones per 100 persons, while open to expansion, is impressive when compared to many other parts of the world.

Bahrain's telecommunications story is one of leadership and technical innovation in the Middle East provided by Batelco since 1981 and previously by the U.K.'s Cable & Wireless, which retains a 40 percent shareholding in the now largely Bahrainized compa-

One of the key factors in the island's development as a major commercial center has been a commitment to develop international telecommunications services. The opening of the Middle East's first satellite earth station in 1969 underlined a determination to invest heavily in a drive to estab-



Satellite earth station complex at Ras Abu Jarjur.

lish Bahrain as a sophisticated link in the international telecommunications network.

There are now three earth stations located at Ras Abu Jarjur on Bahrain's southcast coast. Two of them link up with Intelsat satellites over the Indian Ocean and the Atlantic. In 1985, a third link was established with the Arab Satellite (Arabsat) system.

Intraregional links are maintained through a 1,200 channel submarine cable connecting Bahrain to the United Arab Emirates and Qatar. A microwave systern, due to be replaced by a Bahrain. fiber-optic cable across the causeway, connects the is-

land with Saudi Arabia. The system carried near-

ly 39 million minutes of international connections in 1987, a phenomenal total given the relative size of Bahrain and its small population.

The modern infrastructure has allowed Bahrain's extensive financial community and other sectors with specific and complex telecommunications requirements to introduce state-ofthe-art equipment. Last July, a miniature financial data receiver was launched in conjunction with Reuters, one of the many Batelco clients that base their Middle East operations in

Alongside the reliability of Batelco's services, their availability has been equallow recent tariff reductions. Last year, the number of subscribers to Batelco's public paging system grew from 912 to 2,091. Equally dramatic growth has been recorded by Batelco's Mobile Automatic Telephone System. Its initial 1,000-line capacity will be quadrupled this year.

Bahrain's telecommunications services remain ahead of others in the region. While others have spent huge sums to catch up, there is little doubt that Batelco has set the standard for them to follow. This pattern is likely to continue as the telecommunications world gears up for the in-troduction of Integrated Service Digital Networks (ISDN) in the coming decade. This multipurpose digital telephone system will accommodate services such as data and fax as well as voice on a single net-

work. In readiness for ISDN, a second phase of development linking Bahrain's national and international networks with a fiber-optic ring was completed by Ba-telco last year. An operation to extend and complete the ring is to start this vear.

By the end of 1987, 65 percent of Bahrain's national telephone network was based on digital technology. Batelco's overall strategy also allows for accelerated depreciation on older exchanges to encourage ac-quisition and installation of newer equipment.

ly important in drawing

business to Bahrain. Re-

sponse to faults is rapid.

While 90 percent of appli-

cations for telephone ser-

vices are completed within

18 working days, 70 percent

are complete within six.

Such performance exceeds

average European stan-

The growth of new ser-

vices for Bahrain's business

community has been spec-

tacular. Around 463 leased

circuits for database access,

facsimile, teleprinter traffic

and voice communications

Meanwhile, further de-

Database Access Service

(IDAS) is expected to fol-

dards.

end of 1987.

A new message switch-ing center, due for completion at the end of 1988, will be the largest real-time computer-operated switching center in the region and will help Barelco develop its international services by providing new private network applications. At the were in operation by the other end of the user spectrum, the latest "intellipayphones are algent" ready being steadily mand for the International

of 54 compared to only 32 in 1983. -A. R. "The present atmo-

around the world.

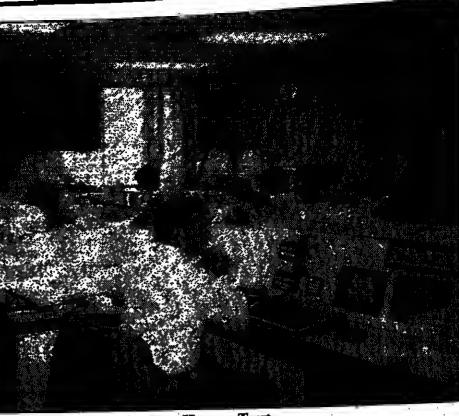
MHT's Bahrain branch, In

line with the statement of

confidence, MHT's Bah-

rain operation has been ex-

panded. Today it has a staff



ADVERTISING SECTION

Dealing room of Manufacturers Hanover Trust.

MHT: A Multinational Builds Middle East Hub in Bahrain

THE operations of sphere is good. Despite re-Manufacturers cession, there are substan-Hanover Trust tial funds available for investment," Mr. Kittanch (MHT) span the globe, with foreign exchange When first established transactions in excess of \$2 in Bahrain, MHT was contrillion trading in 24 loca-

cemed exclusively with the tions. Bahrain is the focus traditional letter of credit . of MHT's Middle East tradand -refinancing business. ing, generating significant amounts of documentary Since then business has evolved in accordance with credit and funds transfer the region's demand for inbusiness for branches creasingly sophisticated financial services. A key rea-Despite the economic son is Bahrain's time bridge downtum in the region, the position in world markets. area remains a significant A seven-day-a-week operabusiness focus with considnon is maintained by MHT erable potential, according for its customers with the to Albert Kittanch, vice president and manager of

bank able to reach international money markets almost instantaneously through high-speed data

links. Bahrain is now the hub of MHT's foreign exchange business in the Middle East and is the leader in spot ... interbank trading in the Gulf, Mr. Kittanch says.

A factor that has encouraged the growth of MHT's local client base is its repuration for innovative products and services. These include a payments system based on a user's personal

& Development Corporation (Redec). The agreement is the biggest of four. major "work outs" that MHT has been involved in since 1985 in the region,

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Mr. Kittanch says. "We have looked over the horizon and determined that there are still very good companies in the area," he adds. "Oil revemes are still substantial by. any standards. Economics have learned to live with a reduced level of expansion. At the corporate level there is a more seasoned attitude. Having lived through both boom and recession cycles, better executives have emerged who have seen both sides of the equation."

The boom conditions are not expected to return, says Mr. Kittanch, who identifies a move by the region's conomics toward services.-"A two to four percent 1 growth in GNP is a respectable standard. If we can make money in the West at this level of activity we can do so in the Gulf."

Obtaining more from a smaller cake calls for competitive skills, as well as computer that was intro- finely honed products. MHT's Bahrain branch



installed.

What's the first thing

to do if you've got business in the Arab world?

Get in touch

ALUBAF Arab International Bank E.C. is the only bank exclusively owned by representatives of all the Arab countries.

We are, therefore, uniquely well positioned to deal with business financing needs throughout the Arab world.

With a wholly-owned subsidiary in Tunis, offering a door into Africa, we provide a full range of corporate and trade financing services, money market, banking and investment products.

We offer an expertise, in short, that your business should not be without.

بنكاليوباف(لعربي(لدولي ش.م. **ALUBAF ARAB INTERNATIONAL BANK E.C.**

LGB Tower, Diplomatic Area, P.O. Box 11529, Manama, State of Bahrain Telephone: 531212 (General) - 532929 (Foreign Exchange) Telex: 9671 (General) - 9458 (Foreign Exchange) Telefax: 523100 Reuters Monitor and Dealing Code: ALUB Commercial Registration: 12819

A rare spaces of finch found only in the Sinai Desart and adjacen

ARIG is also a rare species, an evolutionary new breed - a formidable combination of centuries old Arab commercial expertisa and business acuman supported by the latest management techniques and the highest professional standards.

A substantial capital base and provan undarwriting policies have anabled ARIG to establish itself as a major international reinsurer, while its knowledge and support of its own Arab markets creates a uniqua blend that is unmatched by any other operator in the insurance business.



معقد الغيت، للتامين (ش.م.ب) ARAB INSURANCE GROUP (B.S.C.)

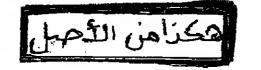
duced last year. A security clearing service is presently being marketed that guarantees completion of back office work in stock market transactions, which is seen as particularly valuable for . clients in the Middle East.

MHT's global status allows it to play a broad role in the region. In October 1987, MHT, as lead agent for 38 banks, concluded 21 months of intensive negotiations on a massive SR 1.300 billion (\$346.6 million) financing for Ghaith Pharaon's Saudi Research

stresses the continuity of management that is the bank's hallmark. Mr. Kitranch's predecessor is now in New York dealing with Gulf business. A cadre of Bahrain staff has also been developed by MHT.

"Providing a core of knowledge within our institution and knowledge of what we are doing in the area - these are particularly vital ingredients in the Middle East," concludes Mr. Kittanch. —A. R.





nations to those of London,

Paris, Frankfurt and Ath-

ens. Possible candidates in-

clude Rome, Vienna and

Geneva or Zurich, says Mr.

The New York opera-

tion, later this year, will

represent the most dynamic

expansion for Gulf Air in

several years. In the long

term, other routes in the

United States will be ap-

plied for. Houston is under-

stood to be one possibility. A diversified concern,

Gulf Air has significant

growth prospects in other

areas. It has a 40 percent

shareholding in the \$100-million Gulf Aircraft

Mainrenance Company

(GAMCO), which opened its new facility in Abu

Dhabi in September. Al-

ready carrying out engi-

neering maintenance work on Gulf Air's TriStar fleet,

GAMCO aims to attract

other airlines and eventual-

ly compete with the best

and largest aircraft mainte-

nance centers in the world.

aged for Gulf Air's helicop-

ter operations center in

Doha and for its hotel in-

terests, which comptise

shareholdings in Gulf ho-

tels in Bahrain and Oman.

Negotiations are under way

to acquire a property in

Bombay, and there is inter-

est in seeking hotels in Eu-

But transportation re-

mains Gulf Air's main oc-

cupation, Gulf Air's presi-

dent points out that it is the

only Arab airline depen-

dent on its own resources,

and has the confidence of

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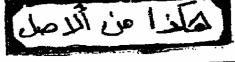
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Expansion is also envis-

Malki.



ADVERTISING SECTION

ADVERTISING SECTION

Gulf Air Targets a Decade of Growth

HESE are busy times for Gulf Air as it finalizes its strategic plan for the 1990s. Over the past two years, along with other key economic sectors in the region, the airline has had to restructure operations in the face of recession.

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Now it is looking toward the future with confidence. A determination to succeed is reflected in plans to replace its fleets, enhance services and develop new routes. According to Gulf Air's president and chief executive, Ali Ibrahim Al-Malki, the strategy which awaits board approval - asks: "What are we? Where are we going and how we are going to achieve our goals."

Other major decisions relate to marketing and, not least, fleet replacement, he adds.

The airline, which currently operates two fleets comprising 11 Lockheed L1011 TriStars and cight Bocing 737 aircraft, serves 34 international destinations. Originally established in 1950, the airline is jointly owned by Abu Dhabi, Oman, Qatar and Bahrain - where it has its headquarters.

"In the next five or six years we will have replaced our fleets with new aircraft," Mr. Malki says. "By the end of 1988, hopefully, we will have decided all our single aisle and wide-body requirements."

The potential procurement of large numbers of new aircraft by Gulf Air has drawn keen interest from American companies such as Boeing and Me-Donnell Douglas and Europe's Airbus consortium.

Mr. Malki says the decision will be based on what is best for Gulf Air's future route needs. "We have to take account of fuel, operating and maintenance costs as well as capital acquisi-

tion costs," he explains Gulf Air already decided to acquire two Boeing 767-300 ER airliners on a leased basis. The first will be de-

will be successful. Such a market holding and no furplan is being discussed under the auspices of the Arab Air Carriers Organization. Three or four financial institutions in the Gulf have already examined the idea and it is hoped that institutions outside the region with leasing experience will also get involved.

Ibrahim Al Malki,

president, Gulf Air.

routes.

refueling stops.

routes to provide better services for its customers. Passengers increasingly reflect a white collar and technician clientele rather than manual worker traffic." "We also envisage a higher volume of tourist traffic either to or from the region," he said. "Gulf Air

has to change its operations accordingly to emphasize our husiness class facilities and we have improved our in-flight services." That effort was recognized carlier this year with

"We see the passenger

ther deterioration but the

character of the market is

changing," he said "We

are going to see a different

type of operation in the

future and Gulf Air is ex-

panding its long-range

the presentation by the International Flight Catering Association of its prestigious Mercury award for Following delivery of excellence of in-flight serthe first 767-300, Gulf Air will begin scheduled ser-

Gulf Air is also one of vices to New York via London. Leaving Bahrain at 10 the few international airlines that has been accepted A.M. local time, passengers will arrive in New York at as a member of La Confrérie de la Chaine des Rô-8 P.M. the same day. Actisseurs, the gastronomic quisition of the 767-300s is also expected to boost persociety.

The airline's reputation formance on Gulf Air's Far for service not only applies East routes, doing away to passengers. For three with a number of technical years in a row Gulf Air has stops now required on long een voted best Middle East cargo carrier by readers The advent of new airof the British publications craft technology has other Air Cargo News Internaimplications for Gulf aviational and British Shipper tion. As they start operatand Forwarder. ing aircraft like the new The Far East is likely to Boeing 747-400, a number play an increasingly impor-

of airlines will be able to fly cant tole in Gulf Air's pasjumbo loads of passengers senger and cargo opera-16 hours oonstop direct tions. The airline is seeking from the Far East to Lonto add Beijing, Tokyo, don, canceling the occd for Secul and Singapore to a octwork that already en-Mr. Malki says the proscompasses Hong Kong, pect of Fifth Freedom carri-Bangkok and Manila, Howers withdrawing operations ever, a balance will be to the region does not overly alarm him: "On the one

international aviation over the oext decade. sought with European expansion adding new destihand we are happy at the prospect of our own back-



Appealing to the **Discerning Business Traveler**

AHRAIN was the been carefully preserved and is now on view.

tacular relics.

first Gulf state to build up an infrastructure geared to the traveler. First-time visitors to the Gulf have often made the island the initial stop in their journey. A passenger arriving at

Bahrain Airport is soon awakened to the reality of a part of the Gulf that is outstanding for having created what may be the most sophisticated financial and communications center between London and Singapore.

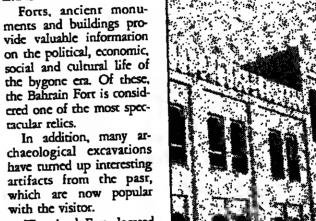
A credit card call back to the office from the airport? No problem. A car with a relephone? Again, that is available. And in the hotel, direct international dialing will be the norm.

But, telephones and other advanced technology aside, Bahrain's past also is an attractive drawing card for the visitor.

Bahrain, often referred to as the 'Land of Immortality', has signs of habitation that date back to about -A.R. 100,000 BC and much has

Productivity

Arad Fort, a popular tourist site (above); the new headquarters of the directorate of Tourism and Archaeology (below).



with the visitor. The Arad Fort, located close to the airport, is another monument depicting a glonous past. Historians agree that the fort is an Arah structure, possibly huilt during the 16th centu-

The hotel industry has made great strides in providing a relaxing, comfortable haven for visitors who are in Bahrain for pleasure or business.

during the period of eco-The hotel industry has nomic expansion. been purposefully encourstar hotel was the Hilton, aged by the government, though at first it was deopened in the mid-1970s

tial fot attracting visitots. The High Council for Tourism was set up three years ago to develop facilities, particularly with the aim of attracting more Gulf

nationals to the island. The opening of the causeway from Saudi Arabia has been a significant boost to attracting Saudi visitors. Bahrain itself has developed beach areas at Zallaq and Budaiya. But Bahrain does not seek to become a tourist haven. It

nental Below the deluxe caregory are a number of more modest establishments, including the Al Jazira near the souq, Le Vendôme and Omar Khayam. Bahrain is anxious to

further develop its poten-

signed to service the busi-

ness travelers who came

The island's first five-

with 286 rooms. It has been

joined by the 328-room

Sheraton, 125-room Ra-

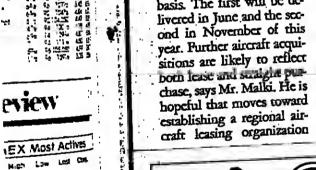
mada, 120-room Delmon,

275-room Holiday Inn, 240-

room Gulf Hotel and 384-

room Regency Interconti-

Page 13



the years markets and routes have been created by airlines means they cannot disappear overnight."

yard being cleared up. On

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greater difficulties with re-

ciprocal landing rights.

However, the fact that over

Present trends give rise to optimism. Gulf Air carried some 2.6 million passengers in 1987 and is expecting a 10-12 percent increase this year.



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The Banking and International Group

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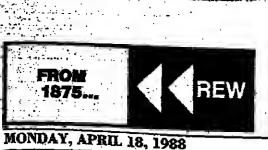
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Herald Eribune. **BUSINESS/FINANCE**



EUROBONDS

Forecast on Treasuries Is **Bad News for Eurodollars**

By CARL GEWIRTZ

onal Herald Tribune

Level of the second state U.S. Treasury paper.

The investment bank expects U.S. interest rates to rise substantially this year, pushing the yield on long-term U.S. government bonds to 10 percent from the current 8.94 percent. That itself ought to keep investors away from the dollar sector, at least until the increase in yields has reached a plateau. But the firm sees other factors at play. As government yields

Additional pressure on spreads will result from the increased volume of corporate bonds expected to hit the domestic U.S.

market. Salomon estimates an additional \$2 billion to \$3 billion

of quarterly volume as capital expenditures of U.S. companies

accelerate this year to keep up with the export boom. Finally, the declining trend of the currency will make it more

difficult to sell all dollar bonds, but especially Eurodollars. As a result, the investment bank said, "Eurodollar bonds are likely to underperform similar credits in the domestic market."

Last week's issue for the European Community was a typical example. It has a life of only two years. (The EC is refinancing the final two years of a previous issue on which it was paying interest

S HORT MATURITIES remain popular because regardless of what happens to interest rates or spreads, investors are at virtually no risk since they get their cash back in two years.

This proved to be a major attraction as bond prices fell last week

institutional investors are obliged to keep a portion of their assets

Where they are at risk, of course, is on the currency. But many

Where investors have a choice, many strategists are advising clients to buy French franc bonds. Although views differ widely on whether the franc will be devalued this year. Salomon Brothers says franc bonds offer good value even if the currency is realigned

within the European Monetary System. In its April report on fixed-income strategy, Salomon notes that the franc currently is close to its EMS floor versus the Deutsche mark. "A realignment of central-rates of 4 percent could leave the market rate between the two currencies only I to 2

the realignment." "Sterling bonds are also recommended, again for both the

relatively high yield and potential currency strength. But inves-tors need to be wary: Although most forecasters expect the

currency to remain strong over the short term, it is expected to

However, the Eurosterling issues marketed last week did not attract much support. All were considered to be aggressively

percent below current levels," if said.

drop back later this year.

and investors looked for the safety of short-term placement.

those that have been were for short periods.

rise significantly, Salomon said, "investors will have less

Many strategists

to buy French

franc bonds.

are advising clients

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1.154 2 APR N. W120 2 In February, by "mutual agree-ment," Mr. Barker resigned as chief economist of the Democrat-ic Leadership Council, an organi-zation of moderate Democratic politicians. Young and headpoliticians. Young and head-strong, Mr. Barker, 36, had rubbed some of his colleagues the wrong way. But his real sin was to urge that the council - and the Democrat-

tive tale.

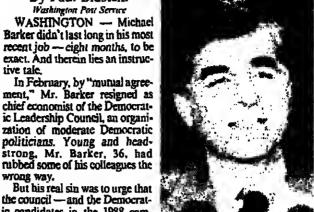
ic candidates in the 1988 campaign -- focus on what he feels is the cold, hard truth about the U.S. economy. Americans face an inevitable,

By Paul Blustein

painful squeeze on their living standards in coming years be-cause of the massive U.S. trade and budget deficits, and Democrats had better start being honest about it, Mr. Barker says. But top council officials did not like Mr. Barker's approach and, after numerous arguments, be was sent

packing. What happened to Mr. Barker is symptomatic of the way the economic issue is playing within the Democratic party. As the Democrats head into

the final stages of their presidential nomination process with the New York primary Tuesday, many of the party's leading econ-



Michael S. Dukakis Likes 'micro' approach.

omists are saying that Democrat-ic politicians are ignoring their advice and are dancing around the economy's central problem ---America's pattern of consuming, borrowing and importing too much while producing saving and exporting too little.

These economists complain that most Democratic politicians, instead of advancing policies such as tax increases that would deal fundamentally with the country's problems, are concenon that?" trating on flashy-sounding proposals for government to tinker

with the inner workings of indus-try in ways that would improve U.S. economic performance only



Bruce BabbittTax hike idea burt him.

strong measures that are re-quired. Michael S. Dukakis, in modestly and might even be counter-productive. "The real economic problems particular, "is not really building

of this country aren't sexy. We've a consensus 10 do anything." said Frank Wykoff, an economics been overspending. To do anything about that, you've got to do professor at Pomona College who some painful things, including cutting consumption." said Charles L. Schultze, a Brookings specializes in the politics of economic issues. At stake is more than the old Institution scholar and the forquestion of whether a Democraimer chief economist to President candidate ought to endorse a Jimmy Carter. He added glumly: "Who the hell wants to campaign big tax hike and risk suffering the electoral fate of Walter F. Mondale, the former vice president, or

Bruce Bahbitt, the former gover-The risk of failing to address nor of Arizona. Behind the desuch issues, many analysts contend, is that the next president bate lies a hasic disagreement will be elected without a popular See DEMOCRATS, Page 16 mandate to take the sorts of



Page 15

By John Markoff New York Times Service NEW YORK - Motorola Corp. s to introduce a powerful new microprocessor Monday, adding momentum to a process that experts say will dramatically lower the cost of computers while increasing their

we're entering the next technological breakpoint," says Murray Goldman, senior vice president and general manager of Motorola's Microprocessor Products Group in Austin, Texas.

Motorola is to announce that more than 20 companies are back-ing its 88000 RISC chip, including Data General, Stratus Computer Inc., Tektronix Inc. and Conver-

gent Technologies Inc. Motorola's chip will compete with those of several other compaaies that have begun using the reduced instruction set computer, or RISC, approach.

The new concept involves radically streamlining the microproces-sor, the heart of the personal computer and the driving force behind the electronics industry. By making a simpler hut faster microproces-sor, engineers are rejecting more

er speeds. The result is greater computing power at lower costs. RISC has quickly become the strategic tool for computer designers. Today every major U.S. com-puter maker has either introduced or endorsed a computer based on

RISC or is developing a prototype. The RISC concept is a dual design approach. One aspect involves reducing and simplifying the num-ber of data processing functions that a microprocessor - the famed computer-on-a-chip -- has built into its circuits. The other involves streamlining the execution of in-structions performed hy the electronic components embedded in the chip. By carefully tailoring the programs that tell the microproces-

than two decades of design practice

and seeking an alternative to the

growing complexity of computers. The RISC design approach elim-

inates many of the instructions built into the microprocessor and

instead processes data hy perform-

ing simpler steps repeatedly at fast-

sor what instructions to use, dramatic increases in computational speed result. Desktop RISC-hased machines from Sun Microsystems Inc. of Mountain View, California. and MIPS Computer Systems Inc. of Sunnyvale, California, now have more processing power than the most powerful minicomputer de-

signs of several years ago. The Motorola announcement follows introductions of RISC microprocessors and computers from companies such as Sun, MIPS. IBM, Intel Corp., Pairchild Semi-conductor Corp., Advanced Micro Devices Inc., Hewlett-Packard Co., and Apollo Computer Inc.

Apple Computer Inc. and the Digital Equipment Corp. are two major computer companies that have not adopted RISC, but both have research projects under way,

Sun's SPARC chip has gained the endorsement of some computer makers, including American Telo-phone & Telegraph Co., Xerox Corp, and Unisys Corp., and some chip makers, including Fujitsu Ltd., Bipolar Integrated Technol-car Chemicar Semicardured Corp. ogy, Cypress Semiconductor Corp. and LSI Logic Inc.

The standard industry measureis MIPS, or millions of instructions per second. DEC's VAX 11-780, which does not use RISC technology, is generally rated at 1 MIPS. The original Sun SPARC chip is rated at 10 MIPS, Motorola's rates its 88000 at 17 MIPS and a new version of MIPS reportedly reached 20 MIPS.

Galloping U.S. Data Suggest Urgency of Corraling Demand

By Carl Gewirtz mal Herald Tribune

economy, which appeared to fade last October, are now pulsing with a disquieting vigor. This news, reflected in reports last week from Washington of strong retail sales, a rising trade deficit and sharply higher whole-sale prices, exposed the danger that too much

The reaction of financial markets was menacing. The dollar came under sharp attack, requiring massive official intervention before it could be stabilized. Prices of dollar bonds tumbled, lifting market interest rates,

kets is the level of domestic demand.

capacity problems, worsening trade, and weakness in the dollar, the Dow and dollar bonds.'

Giles Keating, economist at Credit Suisse First Boston

But the majority view is that the level of projection domestic demand is too high to permit enough of a reduction in the U.S. trade deficit to calm financial markets. trade deficit grew in February to \$13.83 billion, easily \$2 billion higher than the worst figure most analysts had been projecting. It was the first big monthly increase since the record \$17.63 billion deficit in October.

"The behavior of imports is very discour-No one sees a danger yet of the monthly deficit resuming its climb to record highs. While they insist that one month's figures do not constitute a trend, most analysis believe the figures mean that the rate of reduction tic demand.

Even the International Monetary Fund business and consumer confidence" if "fi-A minority view expressed by Mr. Keat-

rising at a 2 percent rate this year, double the pace of last year. The key difference between Mr. Keating States at the present time, a sustained im-and other economists is his view on consum- provement in the foreign balance can be "Higher consumer demand," said Giles er demand. Mr. Keating believes the Federal achieved only through an appropriate reduc-tion in domestic absorption," the fund said in its annual world economic outlook report.

....Reconciling two camps.

A meaningful decline in the trade deficit is an essential ingredient to restoring confi-dence. The fall is needed to offset the rising interest payments made to foreign holders of U.S. government debt. These two elements are the major factors in the current-account

deficit, which the United States must finance from sources outside the country. The IMF's newest forecast puts the U.S. current-account deficit by the end of next year at \$134 billion --- down \$26 billion from last year's record, but \$29 billion higher than projections in December by the Organization for Economic Cooperation and Devel-

Private economists are less sanguine. Salomon Brothers, in a report prepared before aging," said Brendan Brown, an economist with County NatWest. The expected im-provement in the trade balance, he added, "is being held up by too strong a level of domes-year's \$160.7 billion.

The fund warned of "adverse effects on

PARIS --- The vital signs of the U.S.

activity can be as harmful as too little.

and U.S. stock prices wobhled. had set in following the narrow escape from

The events shattered the complacency that

However, this potential currency loss is "more than offset by two factors: the higher yield resulting from the current 4 percent-age point spread between the two markets, and capital gains resulting from an expected narrowing of yield differentials after

financial crisis in October, and raised fears that a sickening replay was about to unfold. Economists agree that corrective action is ingently needed. But the proposed remedy

- higher U.S. interest rates, a still lower value of the dollar, or a combination of the two -- will work only if it succeeds in restor-ing confidence that a healthier economic environment is in the offing. The "too much activity" troubling mar-will be much slower than had been expected.

Keating, economist at Credit Suisse First Boston, "means widespread capacity prob-lems, worsening trade, and weakness in the dollar, the Dow and dollar honds." The dollar did fall, and stock and bond prices tumbled, following news that the U.S.

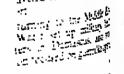
'Higher consumer demand means widespread

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priced. The split A/triple-B rating of American Brands was a handicap, and double A-rated American Express suffered from being a financial services company; the sector is not in favor now. Italy's IMI Bank International had the most tightly priced issue, to yield 35 basis points over gilts. Its five-year notes carried a coupon of 9¼ percent, compared with 9¼ percent for American Brands and 9% percent for AmEx.

Although interest rates on Euroyen are lower than even the Deutsche mark, the anticipated appreciation of the yen against the dollar as well as the EMS currencies appeals to some investors.

Three five-year Euroyen issues were floated last week, with Sweden issuing 50 billion yen and Banque Française dn Com-merce Exterieur and Austria's Kontrollbank each raising 25 billion year. Sweden was priced to yield 4.7 percent and the others 4.77 percent

Sources report that Sweden swapped just over half of the proceeds into floating-rate dollars at a cost of 45 basis points See EUROBONDS, Page 17

		move would ease the reorganiza-
Currenc	v Rates	tion of Mexico's air transport.
Callan	y itematics	"Aeromexico's declaration of
		bankruptcy opens new and broader
		avenues for the recovery of the
Cross Rates	April 15	Mexican air transportation sys-
S E D.M. F.F.	11.L. Gldr. B.F. S.F. Yea 0.1512 - 5362 1,2007 1,5052 -	tem," the ministry said.
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CHITCHET . PHY'S CONTENTS 199	Mary peso 2262.00 S. Afr. rand 2.1365	9-15s, on sale earlier this month
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Säurces: Indanuez Bank (Brussels); Banca Cammerciale Italiana (Mitan); Banave Nationale de Paris (Paris): Bank of Tokyo (Takyo); UNF (SDR); BAll (dinar, rival, dirham); Gosbank (Juble). Other data from Reuters and AP.

3-month Interbonk

2

U.S. retail sales in March rose 0.8 percent, ing, who forecast the increase, is that the chided Washington on this issue last week. nancial markets again became concerned about double what had been expected, and February number was a only "spike" up in "When an economy is operating close to full analysts estimate that consumer spending is the midst of a continuing downtrend.

capacity, which is the case for the United

See DEMAND, Page 17

After Strike, Aeroméxico **Declares Itself Bankrupt**

MEXICO CITY — The state air-line Aeromexico has filed for bank-ruptcy after a four-day strike by ground staff that cost the company an estimated \$7 million, according to the Terror

to the Transport and Communications Ministry.

A statement announcing the company's decision Friday said the move would ease the reorganization of Mexico's air transport. "Aerometrico's declaration of bankruptcy opens new and broader



Taiwan Says

TAJPEI - Taiwan's gold reserves rose to a record of 9.88 million troy ounces at the end of February, from 8.52 million in January and 5.58 million a year earlier, the cen-tral bank said Saturday. A bank official attributed

the increase to rising gold im-ports, mainly from the United States, since last October. "The increased imports will simply help reduce our foreign exchange holdings," he said. Taiwan's foreign exchange re-serves have failen to \$74.4 hillion from a record \$76.7 billion at the end of December.

But economists and foreign bankers said the increase in gold imports aimed to reduce Taiwan's trade surplus with the United States. The surplus shrank to \$1.97 billion in the

first quarter of 1988 from \$3.6? billion a year earlier.



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Hong Sens 25%6.95 2619.87 -0.80 % Gold n p.m. fix.3 456.30 449.40 + 1.54 % Morid MSCIP 457.20 + 1,1 % Londo 462.10 Warld Index From Morgan Stanley Capital Inff.

The international trading house active in pulp, paper, machinery, chemicals, timber, building material & steel, textiles, foodstuffs, Subsidiaries in Barcelona, Basel, Beijing, Bombay, Buenos Aires,

Copenhagen, Drammen, Geneva, Hamburg, Helsinki, Hong Kong, Jakarta, London, Melbourne, Milan, New York, Paris, Sao Pario, Singapore, and Tokyo. Sales agents in 110 countries.

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March 18, 1988



DEMOCRATS: Are the Party's Politicians Avoiding Hard Economic Truths?

over how to cure the economy's

camps that could be labeled "macro" and "micro." The macro camp consists of the mainstream Democratic economists typified by Mr. Schultze and his Brookings colleagues. Focusing on the big economic picture, they believe that the economy needs to be put back into balance with big, blunt policy in-struments — higher taxes, government spending cuts, a lower dollar. In contrast to Republican economists, this group strongly empha-sizes the importance of a progres-sive tax system, and favors some selective spending increases.

The micro camp wants to see government get involved at a much lower level of economic detail, such as helping individual industries become more competitive — perhaps with limited protection from im-ports — or assistance in getting new technology to the marketplace. Many leading Democratic politi-cians, including Mr. Dukakis, govLester Thurow of the Massachu-setts Institute of Technology, and time to consume more and more

public-policy experts such as Rob- ahead of our growth in production, ert Reich of Harvard. The two camps agree on a lot of Barker wrote. This could happen, things, of course: Both harshly crit- be said, "through a serious recesicize the administration's 1981 tax sion, or through policies which decuts, which they say fed a consum-liberately take us through a period er-spending binge that sucked in of belt-tightening which restores bundreds of billions of imports and generated boge trade and budget or another, it will happen." deficits. Both camps favor using

government policy to promote fu-including education and research numerous popular tax breaks, cutnumerous popular tax breaks, cut-ting Social Security and other polit-But their divergent views can ical sacred cows, and allowing the

lead to sharply different political dollar to fall further. He also urged - as the Barker case increasing spending on a few promessages grams such as Head Start, roads

and development.

During his brief tenure, Mr. and bridges and civilian research Barker drafted a manifesto for the and development. group that echoed many of the But a week before a major Dem-mainstream economists' views. He ocratic Leadership Council confer-warned that America must take ence in Williamsburg, Virginia, in steps to live within its means and late February, Mr. Barker's bosses

(Continued from first finance page) over how to cure the economy's woes. The disagreement is between two camps that could be labeled "mac-

tion establishment. will soon be rudely shattered," Mr. The council emphasized the need for vastly improved education and worker training and called for "new and more collaborative relations between American managers

and workers, more democracy in Mr. Barker prescribed a painful

> failed to confront the basic issues. "We're convinced that the competitive crisis is not just a reflection of broad macro trends," said its po-licy director, Will Marshall. "A

new global economy requires an emphasis on people and their abili-ty to add value to products; that's where we think the focus of policy should be.*

labor, government and the educa- camps. Many Democratic politi-

cians appear to be planted firmly on the micro side. Mr. Dukakis is especially foud of "public private partnerships" aimed at providing a limited dose of government aid to help troubled

regions and industries get back on their feet. In a recent speech, he declared: "I'll work with the states to help small and medium-sized businesses find new opportunities

rebuild and retool," he continued. Not by building walls around them. Instead, we ought to say to industries that are in trouble: We'll provide you with some pro-tection for a limited period of time, if you agree in advance to use that time to invest and modernize and

hands. 7 Are Leaving First Boston be allowed to deduct bonuses for executives unless they offer similar

lip service, at least, to the impor-tance of cutting the budget deficit.

tives who have played a leading operations, said Friday that the role in First Boston Corp.'s lever-aged buyout business, including commitment to merchant banking what they regard as the candidates' tortured efforts to avoid fiscal pain, two managing directors, are leaving and would transfer executives with to set up a competing firm, First management buyout experience to such as Mr. Dukakis's pledge to increase revenue by better enforcement of the tax laws and Mr. Bostoo said Gore's assertion that a buge \$40 billion could be saved from govern-Wall Street firm this year. By itself, ties to work with the departing ex-

the exodus would be a blow to one ecutives, who include Arthur J. Naof the firm's cutting-edge business-es. The impact is magnified, how-ever, because it comes on the beels beads of the leveraged buyout To a vast majority of economists, even Democrats, such deep government intervention in the economy of the departures of Bruce Wasser- group. - known as industrial policy "would be a monster," said Pomo-na's Mr. Wykoff. "Economists believe this sort of thing would ossify the system, and make it more difficult to deal with international challenges, not less,"

Texaco Aims to Raise Share Price

James Maher, the co-head of

Mr. Maher also said that First

Bostoo was considering opportuni-

Rosner, Prakash A. Melwani and

Sander Levy are the three asso-

First Boston's earnings tumbled last year, to \$108.9 million, from \$180.6 million in 1986. Further-

more, nearly half of the 1987 prof-

Solas in Nel 1006 High Low Close Chip

building.

NEW YORK - Seven execu- First Boston's investment banking

the buyout group.

It Acts on Dividend, Asset Sale Ahead of June Showdown

By Donald Woutat Los Angeler Times Service LOS ANGELES — Texaco Inc.'s board, by raising the stakes in its restructuring plan and restor-ing the \$3 per share annual divi-dend, apparently boyes to drive up the price of its stock before an confidence in the company. The pressure of time also figured in Texaco's actions, said George the price of its stock before an expected power struggle at the June annual meeting.

Barely a week out of bankruptcy. Texaco said Friday that it would in New York. pared to the previous goal of \$3 down the sale of parts of three sell at least \$5 billion in assets comrefineries in Texas, Louisiana and billion It suggested that it would use

Delaware has prompted wide-spread industry rumors that its exsome of the proceeds to make a "significant" repurchase of its tensive ocgotiations with Saudi Arabia, considered the most likely stock

buyer, have broken off. While Mr. Friesen discounted The actions at Texaco's first the actions at lexaco's first board meeting since emerging from bankruptcy on April 7 boosted the share price \$1.75 to \$48.625 per share and placed the company on the most-active list on the New York Strate Brokenson where \$17 York Stock Exchange, where \$175 corporate raider, Carl C. Icahn, million worth of its stock changed and others who might join forces with him.

The company had been expected "The \$3 dividend will buy them to restore the dividend, which it some time, but I think they also was barred from paying while in have to announce one major asset Chapter 11 proceedings. sale before the annual meeting." Some analysts were mildly sursaid Mr. Friesen.

New York Times Service

Their departures are the latest in

talent drain at the influential

Mr. Icahn, who now owns 14.8 percent of Texaco's stock, has proposed a slate of five nominees w Texaco's 14-member board, to be elected at the annual meeting.

The combined holdings of Mr. Icahn, the leveraged-buyout spe-cialists Kohlburg, Kravis, Roberts-& Co., and institutional investors exceed 50 percent of the outstand155-

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ing Texaco shares. "Management bas got to prove Friesen, oil analyst at Dean Witter Texaco's failure so far to naii itself and persuade shareholders that, coming out of this Penuzoit fiasco, it will be a viable company,"said Rosario Ilaqua, analyst at Nikko Securities in New York.

Texaco got into trouble when it shouldered aside Pennzoil m acquiring Getty Oil Co. in 1984. Pennzoil subsequently won at \$10.3 billion damage award that drove Texaco into bankruptcy be-fore the companies recently settled ont of court for \$3 billion.

Texaco offered no specifics on what additional assets might be for sale under its broadened restructuring plan.

Previously, it had acknowledged. active efforts to sell half interests in the three refineries, its West Ger-man subsidiary, and 60 million bat-rels of scattered U.S. oil reserves: Texaco Canada, 78 percent owned

Texaco Canada, 78 percent owned by Texaco, is another possibility. Mr. Friesen speculated that the stepped up sales effort raised the possibility of selling Texaco Cheme 4 ical Co., a minor piece of Texaco but one that could bring a "premi-um price" in today's climate of high profits in the chemicals industry.

The resumption of dividends at a substantial rate demonstrates Texaco's confidence that this expanded restructuring will enable us to build a more profitable company on a solid core of our most produc-tive assets," said James W. Kinnear. Texaco's chief executive and vice chairman.

. He said that proceeds would go toward redocing debt, funding high-potential capital projects and "supporting other actions un der study, such as a significant share buyback, based on market conditions.

Autolatina's 1987 Loss In Brazil Is \$223 Million

SAO PAULO --- Autolatina SA, the largest automaker in South

America, has reported a \$223 mil-Washishi Pas lioo loss for its Brazilian operations

in 1987. The loss, announced Friday, was substantially greater than the 1986 loss of \$78 million.

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American Exchange Options 54 24 1-16 ***** INTER THE STATES OF THE STATES 1-16 274 1-16 4 5 SHAMARA BEERIN Figures as of close of trading Friday. April 15 144 315 214 274 44 16 1-16 Calls Option & onice Colls Pute Collis Puts Option & price 5441975716 672 114 454 × - 24 × 19 2% 1-16 2% KEN KEN KEN KEN KEN Sta 14214 12% 14 22% 25 5121-555 516 516 1-14 3% 12% 5% 144 5-16 3-16 149 14 23 15-15 145 7-16 225.5 14 - 14 Horis Constant Consta 7-16 244 15-14 72 14 1-16 296 722 jų, 2% 1-16 2 3-16 2-14-14-14-1 7.16 9-16 394 236 116 1-16 116 1-16 21/2 1-1420-14 39i 39i 1-16 21.2.2.2 1-16 15-14 COSC DSC DIC TRANSFORM 3431 3% 1-14 1-15 1-16 1-16 17/1 25 15 216 - 314 - F 27 BHSB3 274 3% 1-16 23% 3% 3% 1-16 11381 124 6 22 514 14 16 144 1-14 2% 1286 -16 - ra ? 16 - ra. F 29 44 1-16 1-15 394 F 1-16 1-274 1275 5% 1-16 1-16 192 14 275 14 14 344 1-16 319 345 349 1-16 516 1-1 316 1-14 22.25 1012 115 77 16 44 303304 74 214 421/5 421/5 421/5 421/5 33.452 * 괣 116 1-16 753 3916 859 1-106 8 ALL 16 18 18 18 16 1-16 394 1-14 Gran Barter States Stat 1-16 74 14 1-16 514 514 514 514 514 514 514 7 20]-10 28-182 184 5 4 4 5 4 4 5 4 4 5 4 4 5 4 4 5 4 4 5 4 4 5 4 4 5 4 4 5 4 2% 1-14 74 1-16 3% 177 24 44 743 29-H 429 145 446 44 7-165 446 48 9-16 214 134 14 1-14 1-16 30 592 195 195 1-16 244 1-16 7-1 44 1-1 21/2 1-16 116 279 5 SS Press 20 5-16 5-16 5-16 115-16-14 1-16 1096 1096 MocrWJ 55 64444686489469 27 35 224 104 12.5 2 1 2 1 1-16 44454 4454 7-16 1-16 1-14 75 576 15-16 1-16 1-16 ENARKS E 149 1-16 1.1á 34 SEG 24% 24% 24% 7-16 4% 7 7-161 Gioxo 1849 1877 Gieraid 27% Gold Ng Goodyr 43 43 43 1-16 39 13-14 9-16 34 Masca 26% Mattel 6% Menta 11 Menta 27% Merril 23% 23% 23% 23% 11/2 7-16 11-16 11 75 8 4 6 8 ıń Aug. 2424 21.52 P. 5. BwnFer' 35 25 36 CVN 15 14% 17% CoesrW 22% 23% 35 24 1-14 1-16

Colis Puts Option & price Calls Puts **Contine & price**

the work place." It also urged "gov-ernment-business partnerships designed to transfer technology from the lab to the factory or office." Conncil officials rejected Mr. to sell their products overseas and Barker's complaints that Demo-cratic capitalism, while harmless, "And I'll help basic industries to

become more efficient." Meanwhile, one of Mr. Dukakis's opponents for the Democratic nomination, Senator Albert Gore Ir. of Tennessee, recently adopted a version of the council's "Democratic capitalism." In a speech, Mr. Gore demanded that companies give workers "more say about the way their business is run," and he added that corporations should not

pay for all employees. To be sure, all the candidates pay To Found a Buyout Rival

But many economists scoff at

ment health-care programs by eliminating unnecessary medical procedures.

that Democratic politicians should "The departure hurts them in an bridge the gap between the two area that's probably significantly camps by "accentuating the posi- more profitable than other parts of twe — the rewards that will come the firm," said Paul H. Baastad, \$180.6 million in 1986. Further-

from shifting the United States who follows this boot Clearly its resulted from a coc-time gain from a coosumption-oriented for S.G. Warburg & Co. "Clearly its resulted from a coc-time gain monomy to an investment-oriented the political environment remains from the sale of the headquarters unsettled." economy

stein and Joseph R. Perella, the The general partners of the new former co-heads of iovestment firm, which has oot yet been banking at First Boston, who have named, will be Mr. Nagle, Mr. formed their own firm, and the de- O'Connell and two First Boston partures of top executives in such vice presidents who have worked operations as mergers and acquisi- with them, James P. Kelley and tions, international operations, Norman W. Alpert. Robert L. Robert Solow, a Nobel Prize mortgage securities, capital mar-winner and MIT economist, said kets and finance.

NASDAQ National Market

from shifting the United States who follows First Boston's stock

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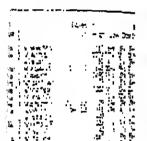
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ntial Property ies No. 1	£ 200	2018	0,35	100	· _	Over 3-month Libor for first len years, 0.50% over Libor rhereafter. Average life siven years. Martigage backed beads in denominations of £100.000. Feet 0.60%
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on Community	\$350	1990	8	101	100.00	Nonculiable Fees 1/6%. Denominations \$10,000.
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Europea KB Int'l DM 75 1993 5 100% Noncultuble, Fees not disclosed Japan Development DM 300 1995 5% 101% 99,60 Noncollable. Fees 2%% Bonk Malaysia DM 100 1995 6 100 98.15 Noncollable, Feet 2%%. American Brands £75 1993 9% 101% 99.25 Noncollable. Fees 1%%. American Express 1993 9% 101% 100.00 Noncallable. Fees 1%% £ 50 **Overseos** Credit Wit Bonk Int I ... 1993 914 101% 99.38 Noncolichie. Fees 1%% **201 3** Nordic Investment 1992 zero 701/4 DK 250 68.70 Yield 9.77%. Noncallable. Fees 199%. Bonk Nordic investment DK 250 1993 zero 63% 62.33 Yashi 9.86%. Noncolloble. Fees 13%. Bank Denmark . ECU 100 1993 71/4 1017/6 99.38 Noncollable Fees 13/3. Europeon Investment 1995 7% 101% 99.45 Noncollable. Fees 1%%. ECu 75 Bank Commerzbank 101% 99.75 Noncollable. Fees 198%. C\$75 1992 9¾ **Overseas Finance** Banque Nationale de Aus 75 1993 121/2 1013/2 99.88 Noncollable. Fees 2%. Pons · Commonwealth Bank Aux\$ 100 1993 12% 101% 100,63 Noncollepie, Fees 2%. of Australia Indosvez Australia Aud 50 1993 12% 101% 100.00 Noncollable. Fees 2% Landesbank Aus\$ 50 1991 121/2 101% 100.00 Noncollable, Fets 11/%. Rheinland-Pfalz Int 1 Société Générale Aud 50 1993 1215 101% 100.00 Noncollable, Fees 2% Austrolia **Toronto Dominion** Aus\$75 1991 12% 1011/2 99.75 Noncollable, Fees 11%. Australia Unilever Australia Aus\$ 50. 1993 12% 102 100.13 Noncallable, Fees 2% **Toronto Dominion** 1992 13% 101% 99.75 Noncoltable, Fines 13/% NZ\$ 60 Australia Banque Française du Y 25,000 1993 4% 101% 99.85 Noncollable, Fees 1%%. Commerce Edérieur **Desterreichische** ¥ 25,000 1993 4% 101% 99.40 Noncollable. Fees 1%% Kontrollbank Sweden Y 50,000 1993 45 1011/2 99.75 Noncollable. Fees 17/%. EQUITY-LINKED 99.50 Convertible into company's shares at \$18.56 per share, a 16% pramium. Redeemable in 1995 at 149.13%. Fees 25/%. Comcast \$100 2003 2% 100 105.00 Noncollable. Each \$5,000 note with one worrant exercisable into company's shares at 5,638 yeen per share and at 126.75 yen per dialiar, Fees 24%. Futaba Corp. \$100 1993 4% 100 Godo Steel 182.75 Coupon indicated at 4%%. Noncollable. Each \$5,000 note

\$70 1993 open 100 with one warrant exercisable into company's shores at an expected 25% premium. Fees 2%%. Terms to be set April 19. 103.00 Coupon indicated at 4%%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 2%% premium. Fees 1%%. Terms to be set April 19. Kobe Electric Roilway \$50 1993 open 100 Nancallable. Each \$5,000 note with one womant exercisable into company's spans at 988 yen per share and at 126,75 yen per share, Fees 25%. Mitsubishi Poper Mills \$ 150 1993 4% 100 107.00 Noncallable, Each \$5,000 note with one warrant exercise Nihon Kohden \$ 50 1993 4% 100 into company's shores at 1,733 yen per share and at 12675 yen per dollar, Fees 244%. Nissin Electric 103.75 Coupon indicated at 495%, Noncollable, Each \$5,000 note \$50 1993 open 100 with one warrant exercisable into company's shares at an expected 24% premiure. Fees 24%. Terms to be set April 20. \$ 60 1993 436 100 103.75 Noncollable. Each \$5,000 note with one wortrant exercisable Riken Vinyi Industry into company's shares at 900 yen per shore and at 127.25 yen per dollar. Fees 2%%

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NATIONAL HERALD TRIBUNE, MONDAY, APRIL 18, 1988

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Salomon Blames Index Funds in Dow's Drop Last Thursday

By Anise C. Wallace

New York Times Service NEW YORK -- One of the largest U.S. stock index arbitrage trading firms has blamed stock-index fund managers for almost half of the steep decline in the Dow Jones industrial average on Thursday.

Salomon Brothers, an active index arbitrage trader, asserted Friday that the Dow would have declined only 58 points on Thursday instead of 101.46 points if index funds had not sold stock to rehalance their portfolios.

But some experts immediately disputed that argument and said that Salomon was trying to deflect attention from its own trading role in the market decline.

Stock index arbitrage traders seek to lock in a profit by buying futures contracts on the Standard & Poor's 500-stock index and selling an equivalent amount of stocks, or vice versa. Managers of stock index funds try 10

mimic the performance of the index hy weighting a portfolio of the same stocks exactly as the index itself is gauged. The addition of three stocks with a total

DEMAND: Still Galloping in U.S.

(Continued from first finance page) about trade improvement will about the prospects for effective spark severe tests for the dollar. discouraging private foreign invesaction to deal with the imbaltors" from buying dollar assets ances. That appeared to be happening needed to finance the current ac-

ast week. The dollar came under attack aflast week. and other markets to widen. ter the trade figures were announced, triggering very heavy concerted intervention by central banks. Even so, the dollar ended The IMF recommendation for curbing demand is further action in reduce the U.S. budget deficit. But there is no hope of that in the seven the week sharply lower - at 123.95 yen from a mid-week high of months preceding the presidential 126.60, and 1.6625 Deutsche marks election. As a result, private anamonths preceding the presidential from a mid-week high of 1.6929. lysts project a scenarin of rising U.S. stock prices also fell but U.S. interest rates and a falling -100

ended above the week's worst level, dollar. with the Dow Jones industrial aver-Brainard at Bankers Trust, see 2 -125 age down 76.26 points for the week. The dollar bond market was sedeclining exchange rate bearing verely affected --- first by fears that most of the burden for redressing the dollar's fall would further disthe trade balance. Mr. Brainard said that the February trade figures courage foreign investors from buying dollar securifies, causing indemonstrate that the desired adterest rates to rise - and then by justment is under way. the news that the pace of inflation

was quickening. The inflation concern came to

The view at Salomon Brothers is the fore on Friday when Washington reported that wholesale prices that market forces - rising U.S. in March rose 0.6 percent, the higinflation, overbeated output and a gest monthly increase since April 1987. By the end of the week, deweakening dollar - will call both instruments into play. clining bond prices had pushed the yield on long-term Treasury bonds up to 8.94 percent from 8.68 percent a week earlier,

Salomon Brothers warned in a

market value of \$11.8 billion to the S&P 500 index on Wednesday night to replace three smaller stocks, whose market value was only \$600 million, caused a shift in the market weightings of some of the largest stocks in the index, Salomon Brothers pointed out.

As a result, some managers of the estimated \$150 hillion in index funds were forced to sell shares of the largest Dow issues to insure that their portfolios were weighted to match the index. Salomon said.

But index fund managers and brokers who trade with them vigorously disputed Salomon's analysis, which was issued in a news release. To say that an entire market of trillions of dollars is being affected by a few hundred million dollars is really absurd." said Jeffrey L. Skelton, vice chairman of Wells Fargo Investment Advisor, which oversees \$35 billion in index fund accounts

for pension funds. "Chasing stocks" to rebalance the portfolio immediately "isn't the way real index funds operate," he added. Managers often wait days or even a week before they rebalance their funds, he said.

\$25

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Some analysts, such as Lawrence

One broker who trades almost exclusively how much remained to be accomplished. But with index funds said he saw very little he said he felt that the portfolio realignment evidence of portfolio rebalancing Thursday. was not entirely completed, which could Other traders, however, agreed that the mean even more selling. change in the index could have touched off index fund selling. But they speculated that Salomon was trying to shift attention from its role as an index arbitrage trader.

Selling of stock connected to stock index arbitrage has been blamed for Thursday's should have only been down 58 points." price drop because stock-index arbitrage traders at New York Stock Exchange member firms continued to execute orders manually after the Dow was down 50 points. The exchange bans use of its automated trading system for index-related trades when the Dow moves up or down 50 points in one day.

Laszlo Birinyi Jr., director of Salomon's Such "marginal" selling in an illiquid marequity market analysis, defended the firm's ket would intensify the pressure in a declininterpretation. He said index funds ultimateing market. Mr. Birinyi said. y would have to sell \$900 million worth of

The three stocks that were added to the S&P stocks to bring their portfolios back in index were Security Pacific, PNC Financial line with the index. Corp. and General Re. Those removed were

He added that he did not know how much Financial Corp. of America, First Republicactual selling look place on Thursday and bank and Roper Corp.

U.S. Current Account Balance

Billions of Dollars



1975 1976 1977 1976 1979 1980 1981 1982 1983 1984 1985 1986 1987 1998 "There was a substantial, across-

the-board increase in exports of Salomon Brothers projects that the current-account deficit will worsen in the second half of 1988 around 6 percent," he said,

They are also projecting a fur-ther 10 percent appreciation of the some further weakening of the dol-yen, to a range of 110 to 115 per lar immediately ahead, they do not dollar by year-end; an 8 to 9 per- expect a full-blown crisis this year. Michel Develle, an economist its analysis see at least a halfcent rise in the Deutsche mark to point increase in the Federal Re 1.50 to 1.55 per dollar as well as an with Paribas, said he expected serve's current 6 percent discount 8 to 9 percent climb in the guilder higher U.S. interest rates and subrate, possibly two, before year-end and the Swiss franc; and a elimb of stantial central bank intervention -despite the oncoming election - 7 percent for the British pound, the to succeed in restraining the dolreport issued last week that "rising as the yield on long-term Treasury French franc and the European lar's slide to about 120 yen and 1.60 inflation and disappointment bonds hits 10 percent by year-end, currency unit, DM through early next year.

The critical period, in his view, will come in March 1989, when the U.S. commission set up to study the budget deficit is due to report. Unless the new president acts immediately to implement substantial cuts, there will be a major crisis in the exchange market, Mr. Develle

Page 17

Salomon's news release said that based on

"complex calculations." Mr. Birinyi and

Keith Miller, a research analyst, concluded

that the Dow. "based on the amount of

selling that occurred in Thursday's market.

Mr. Birinyi estimated that the change in

the index meant that index funds would have

to sell 279,885 shares of International Busi-

ness Machines, 646, 330 of Exxon, 503, 266 of

American Telephone & Telegraph. 429.019 of General Electric and 125.627 shares of

Royal Dutch/Shell Group.

Pressure on the dollar then could drive it down to 100 yen, he warns,

MARKETS: To Jumpy Traders, Good U.S. Economic News Looks Bad Euromarts

(Continued from Page 1) much as they can produce, and can growth of more than 3 percent this put prices up, profits go up and there is no great incentive to keep year, against well under 2 percent wages down," Mr. Foley said. At in November.

"For the first couple of months the same time, the labor shortage after the crash nobody was huying pushes wage demands up, he said, and "that means higher inflation." Mr. Horne said that capacity utinew BMWs. Now they are," said Mr. Kurz, citing a popular Wall Mr. Horne said that capacity uti-Street prosperity indicator. But, he lization was particularly high in adds, "the equity market doesn't what he calls "the dollar sector," the part of the economy that prolike the robust economy." The unexpectedly strong growth duces exports and goods designed

billion abroad.

their socialist economies.

In that sense, the Western-based

financial agency is emerging as an active ally of liberal reformers within the East European countries who are serving as both model and

vanguard for economic change un-

der the Soviet leader, Mikhail S.

has brought both manufacturing to compete with imports. Because of the decline of the ket close to

inflation expectations, particularly "dollar sector" close to full capacibecause those who were forecasting ty, it will be harder to increase recession had pitched their infla- exports, or produce more Amerition forecasts very low. The change can goods to compete with the imin expectations will be even greater ports. if oil and commodity prices contin-So the trade deficit will stay high.

we to rise, Mr. Horne points out. What that means is higher interest rates. Lenders will demand a rency still has not dropped far higger return on their money to enough to make the United States protect themselves from future in- competitive. flation. At the same time, many

people on Wall Street believe, the Federal Reserve will push interest in the found trigger a world with the bad year and the street world be had year and the street Federal Reserve will push interest apacity. If it continues, "the econ- lar, which has made U.S. goods rates up to combat the expected reces news for everyone, not just the omy will be bumping up against its more competitive, this sector is inflation by restraining the flow of apacity limits," said Patrick Fo- running at 87 to 89 percent of ca- credit. United States. It would also be inflationary, by making the imports Weekly Sales pacity, against 82 to 83 percent for Looked at another way, the news people keep buying more expen-sive. So the Fed would also be the economy as a whole, he says. All of this means a big jump in growth sucks in imports. With the

But too sharp a fall in the dollar, on, which would be 5 40 7 915

At a Glance Eurobond Yields Apr. 13 U.S. S. InTT I Inst., 8 yrs 8, byter 9, 16 public issuers, 8 yrs 8, over 9, 15 other issuers, 8 yrs 8, over 9, 28 other issuers, 5 to 7 yrs 8, 28 Prends sterling, 5 to 7 yrs 9, 28 Prends sterling, 5 to 7 yrs 9, 24 Prends francs, less (pon 5 yrs 9, 24 ECU, 8 yrs 8, over 7, 27 S to 7 yrs 7, 27 Cont. 5, 5 to 7 yrs 9, 24 aus. 5, 5 to 7 yrs 9, 24 A01,1 9,20 9,15 9,15 9,15 9,15 9,15 9,15 9,15 9,27 8,01 7,74 8,01 7,74 8,01 7,74 8,01 12,53 14,50

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April 15

6-month 8 15/76 3 9/16 8 32 8 7/16 8 7/18 4 1/2

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5 Nons 8 Nons 4,175,50 7,227,10 7,549,90 8,649,30

279.00 408.20 959.00 533.50 802.70 1.014.80 4.342.00 1.372.70

1,276.40 794.10 2,254.20 347.70 6,551.40 8,876.20 15,005.10 10,903.20

5-month 675 37/16

898 15/16 6.5/16

April 15

Primory Market

Stroights

Source: Euroclear, Cedel

1-month \$13/36

BUSINESS SCHOOL

LAUSANNE

SATURDAY M. B. A.

Source: Luxembourg Slock Exchange

Codel

Ang the arts		•					yen per dollar, fijes 2/4%.	capacity. If it continues, "the econ-
	Toisei Corp.	\$ 200	1992	3%	100	106.50	Noncollable, Each \$5,000 note with one warrant enercloable into company's shares at 981 yen per share and at 127,60 yen per dollar. Fees 24%.	ony will be bumping up against its to capacity limits," said Patrick Fo- ley, the deputy chief economist at
	Taisei Corp.	\$ 100	1993	4	100		Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at 981 yes per share and at 127.60 yes per dollar. Fees 214%.	Lloyds Bank in London. "If companies are selling as
। (2010) 	inspectorate (nt')	£ 69.3	1998	5	100	: ~ .	Each ES90 band convertible into one company bearer share at 2,561 Swiss France per share, a 9,44% premium. Redeem- able in 1993 at par. Fees 25%.	IMF: Moving Tor

EUROBONDS: More Bad News for Dollar Sector

dollars at terms slightly less attractive, while BFCE swapped into marks.-

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Showa Aluminum

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Competitors said the lead man-ders provided the swaps at sub-stantial costs to themselves. There was scant demand for last week's two DM issues. Japan Development Bank, benefiting from

the rarity value of Japanese government credits in the market, set a coupon of 5% percent on its sevenyear bonds. Trading at 99.7 at endweek, the paper yielded 5.42 per-CCOL.

Malaysia also sold seven-year paper, but this was mostly aimed at banks and institutional investors. ers' equity strategy advice: It would

In the ever-popular equitylinked market, Japanese issuers continue to cut coupons without having much effect on the premium prices at which the paper is traded.

Coupons last week notched down to 4% percent, but the bonds traded at premiums of around 106. Analysis calculate that a below-

market coupon of 4% percent adds about 21 percent to the cost of the equity warrant and the pricing at 106 raises the premium to 27 per-cent — a level that some analysts consider the realistic maximum. Worth noting is Salomon Broth-

1989.

Contract from first finance page) While its 6 percent coupon was a substantially higher yield than on fore rate. OKB was believed to have swapped less than half into that e swapped less than half into the substantially not previous occasions. While its 6 percent coupon was a substantially higher yield than on this issue into Japanese stocks and 43 per-teres rate. OKB was believed to have swapped less than half into the substantial previous occasions. The firm be-teres than it has on previous occasions. The firm be-teres the previous occasions the previous occasions that the previous occasions the previous occasions the previous occasions. The firm be-teres the previous occasions the previous occasions that the previous occasions the previ stock prices regardless of a likely rise in interest rates in both mar-

Salomon especially likes Japanese pharmaceuticals, semiconductor producers and companies likely to benefit from the boom in capital nvestment: Mitsubishi Heavy, Yokogawa, Fanuc and Komatsu.

Salomon said that the export boom under way in the United States makes the manufacturing sector a particularly attractive investment. He said that exports are likely to continue to improve even if there is an economic slowdown in

IMF: Moving Toward Major Role in Eastern Europe Communist Party apparatus - 25 experts said. Though the nominal goal of the fund is payments bal-(Continued from Page 1) informal Polish program will lead to an IMF standby loan and a re-

"The reason for our deeper coopstructuring program over several years from next year, officials say. cration with the IMF is not based on credits." Bazyli Samoilik. Po-land's minister of finance, said in a The three new programs are the first the IMF has bandled in the recent interview. "What is useful is region since Yugoslavia ended its the cooperation on policies and the standby program two years ago, confirmation by the IMF of the and they represent the largest comcorrectness of our measures. In our mitment the agency has yet made situation the arguments of the IMF can be used to persuade people that certain steps are necessary." to Eastern Europe's debt problems. Hungary, Poland and Yugoslavia have struggled with beavy debt

since 1981 and owe a total of \$72 million, one-year program with the In treating the East European economies, IMF officials are gener-IMF, a pledge by the government to the agency to cut the budget deficit from 35 billion forints (\$760 ally prescribing a familiar diet of austerity measures meant to imthis year could be a key reinforce ketplace, for example, most bloc prove payment balances. Typical features of the new programs are ment in the drive to force state countries have had to accept a surge of inflation, but IMF meacuts in government budget deficits, companies to operate profitably without subsidies or shutdown. higher interest rates and steady desures may favor suppressing inflavaluations. At the same time, how-That painful and politically sensition over sustaining the market. ever, the IMF measures appear likely to play an important role in tive task is widely regarded as the Moreover, the implicit alliance key test of Hungary's reform pro-between IMF technicians and East recent moves by all three countries gram, the most advanced in the Soviet bloc. bloc reformers has not saved the toward far-reaching reforms of

fund from arduous negotiations Hungary's case also shows how with governments over the new the IMF's priorities and those of programs or from attendant politithe reformers are entwined, several cal controversy.

tempted to raise interest rates. Similabis making dollar assets more aturac-Convert. FRMs ECP Tatal tive, to stop it falling too far. But higher interest rates would put the brakes on the U.S. econo-Secondary Market Cadel

my, and the feared recession, or at any rate a slowdown, would be back in the cards. ance, the measures it recommends, like cuts in subsidies, often coin-

back in the cards. In Wall Street's current fragile PRNs state, Mr. Home said, "interest-tereste sizes are now seen as a greater Tobal cide with the steps, necessary in rate rises are now seen as a greater communist countries to create a danger than slower growth in corporate profits" resulting from a Liber Hates

In Yugoslavia, where the combi-nation of a weak federal governweak economy. Veering in their predictions be-tween inflation and recession, mar-ket analysts are scarching for evi-dence to confirm one ar the other screamin But as both outcomes are ment and bitter rivalries between six constituent republics has rendered useless repeated efforts to halt 150 percent inflation, the goverament of Prime Minister Branko scenario. But as both outcomes are bad, any news that fits either pic- Reuters.

ture must also be had. "If you believe that things are going to go wrong," Mr. Kurz said, "you want the market to confirm it to show that you are intelligent and clever. There is greater drama in a trade deficit approaching \$14 hil-lion than one of \$10 billion. Then you can say to yourself, 'Aha. everything's coming apart again." The only thing that would not be

Earn on MBA by taking our Saturdays only program. 9 hours of classes each Saturday internal exams. bad news, almost everyone agrees, is stability, both for the U.S. econo-Next course begins March 19. Contact: Admissions Officer Longoz: Adamasions Officer 38 ove. Ed. Dopples or P.O. Box 2290 1002 LAUSANNE, Switzerland Tel.: 021/27 38 33, my and the dollar. That, however, would hardly qualify as news. For the time being, it seems, the only good news would be no news.

For Hungary, Tighter Loan Terms

By Carl Gewirtz International Herald Tribune

All and a second s PARIS - Hungary, which reportedly is close to arranging a \$350 million standby loan from the International Monetary Fund in suchange for tighter control over its budget deficit, entered the international credit market last week seeking \$200 million.

Reflecting creditors' concern about a continuing steep rise in Hungary's foreign debt and domestic economic problems, the terms on the loan represent a substantial tightening over what the country paid last year.

The borrowing charge is set at ½ point over the London interbank offered rate for the first five years, rising to % point over Libor for the final three years.

In 1987, Hungary paid ¼ poiot over Libor for an identical sum, also for eight years, and last year il agid % point over Libor for a loan & \$400 million.

The mandate to arrange the new transaction was given to seven pany. The company does not carry banks, of which three are Japanese. a direct state guarantee and oper-The arrangers are Arab Banking ates in a sector in which interna-Corp., Bank of Tokyo, Creditan-stalt of Vienna, Dai-Ichi Kangyo, Deutsche Bank, First Chicago and Industrial Bank of Japan.

basis points for lead managers underwriting \$10 million or more. CDF-Chimie, the French state-owned chemical company, named

Banque Nationale de Paris to ar-

INTERNATIONAL CREDIT range a multi-option facility of I

billion French francs. The facility will run for five years

and underwriters will be paid an annual fee of 614 hasis points. This rises an additional 5 basis points if more than half the amount is actually drawn.

The charge to borrow in francs is set at 121/2 basis points over the Paris interbank rate. Drawings in other currencies will cost 71/2 basis points over Libor. Banks underwriting 120 million francs or more

will be paid a front-end fee of 6 basis points. The cost structure was criticized by other bankers, who complained that the charges did not adequately reflect what they called the "frag-ile" financial condition of the comtional competition is intense after

the depreciation of the dollar. Euromarché, the food store chain, is tapping the market for 700 for Wyse Technology. Details on Front-end fees range up to 60 million frances. This will be a five- this transaction were not divulged.

year facility, extendable to seven years, carrying an annual fee for underwriters of 10 basis points. Asarco, the U.S. mining compa-

ny, is seeking a \$200 million credit for five years. The company is rated BAA-2 by Moody's and triple-B by Standard & Poor. Under these con- tend to regard it as a valuable ally ditions, it will pay a commitment fee of 3/16 percent on any un-

drawn amounts and a margin of h point over Libor for drawing up to \$100 million and 1/2 point over Libor for using more than that.

However, if S&P upgrades Asarco's credit standing by two notches to double-B plus, the commitment fee will fall to % percent and the drawing charge will be % point over Libor for the entire amount, said Credit Suisse First Boston, which is

arranging the loan. CSFB also put into the market: • A \$150 million, five-year loan

gas exploration company. Banks will be paid a commitment fee of 10 basis points on any uodrawn amounts and 25 basis points over Libor for lending up to ball the total and 35 basis points for more than that.

• A \$100 million, three-year loan



Source: Salaman Inc.

for Kerr McGee, the U.S. oil and **U.S. Consumer Rates** Tax Exernet Bonds Band Buyer 28-Band Index Manay Market Funds Docugine's 7-Day Average Bank Money Market Accounts Name Rate Manitat Ladex

> Home Martgaga, FHLB avarage 10,34 % Source ; New York Times.

Gorbachev. East bloc ministers in their own battles to establish the marketplace --- rather than the

April 15

7.11%

125

567%

TRICUTS.

Les résolutions des actionnaires lors de l'Assemblée Générale Annuelle seront votées à une majorité simple des actionnaires présents et votants, chaque action ayant un droit de vote.

Tout actionnaire peut voter par mandataire.

Afin de participer à cette assemblée, les proprietaires d'actions au porteur devront déposer leurs actions cinq jours ouvrables avant l'assemblée au siège social de PRI/TECH ou auprès d'une banque acceptable par PRI/-TECH.

> BANQUE PRIVÉE EDMOND DE ROTHSCHILD S.A. Succursale de Laxembourg 20, boulevard Emmanuel Servais 2535 LUXEMBOURG

LEICOM Registered office: Luxembourg 20, boulevard Emmanuel Servais R.C. Lonembourg B. 21454

Notice is hereby given that the ANNUAL GENERAL MEETING

of the shareholders of LEICOM FUND will be held at the registered office at 3:30 p.m. on April 25, 1988 with the following agenda:

- Approval of the reports of the Board of Directors and of the Béviceur d'Entreprises (External Auditor).
 Approval of the balance sheet and profit and loss account for the year ended December 31, 1987.
 Allocation of the net results.
- Autocation of the her results.
 Discharge to the Directors and the Réviseur d'Entreprises (External Auditor) for the proper performance of their duties during the year ended December 31, 1987.
 Election of Directors and the Reviseur d'Entreprises (Exter-
- nal Auditor).
- 6. Miscellancous.

Resolutions of the shareholders will be passed at a simple majority of

resolutions of the shareholders will be passed at a simple majority of those present and voting, and each share is entitled to one vote. A shareholder may act at any meeting by proxy. In order to participate in the above meeting the owners of bearer shares shall have to deposit their shares five business days before the meeting at the registered office of LEICOM FUND or with a bank acceptable to LEICOM FUND.

On behalf of the Company, BANQUE PRIVEE EDMOND ROTHSCHILD S.A. Luxenbourg Branch 20, boulevard Emmanuel Servais 2535 Luxembourg

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Pour la Société

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Messieurs les actionnaires sont convoqués à l'Assemblée Générale Annuelle des actionnaires de PRI/TECH qui se tiendra au siège social à 14 h 30, le

25 avril 1988 et qui deliberera sur l'ordre du jour suivant : a) Rapport du Conseil d'Administration.

c) napport du vonseu d'annihistration.
6) Rapport du réviseur d'entreprises.
c) Adoption du bilan et du compte de pertes et profits au 31 décembre 1987.
c) Affectation du résultat de l'exercice.

) Décharge au réviseur d'entreprises et aux adminis-

A Réélection du réviseur d'entreprises.

g) Divers.

PRI/TECH Siège social : Luxembourg 20, boulevard Emmanuel Servais R.C. Laxenbourg B. 20566

In Hungary, where officials are reported close to finalizing a \$350 a necessary evil. Some Western experts pointed out that IMF measures were not always consistent with the ideals of Soviet bloc restructuring, or peresmillion) in 1987 to 20 billion forints voika. To create an economic mar-

functioning market.

SPORTS

VANTAGE POINT/George Vecsey

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5 Dunces	46 Oil cartel	Wilson play
10 Asjan nanny	47 Speaks the	21 Troubles
14 Kind of duck	unvarnished	22 Spicy taste
15 Gallagher's	truth	25 Shopping mall
vaudeville	55 Medicinal	26 Spreads
Dartner	plant	unchecked
16 Comedian Jay	56 Overact	27 Hot spots
To comedian Jay	57 Not new	28 Busy
17 Ballelauar	58 Brewer's need	
17 Ballplayer	59 Moon or Spoon	29 Port or sherry
Amos	60 Another kind	30 Shavetail
18 Inasmuch as	of duck	31 Explode
19 Famed	61 Clumsy boats	32 Takes a risk
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20 Call it quits	63 Hard to handle	37 Banes of tennis
23 Captains'		players
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44 Bed linen	12 Create a pot	singer

DENNIS THE MENACE

SIDELINES

McEnroe Wins First Tourney in 19 Months Take Me Out to the Balk Game. .

TOKYO (AP) — American John McEnroe, winning for the first time in a year and a half and playing in his first tennis tournament in seven months, trounced Stefan Edberg of Sweden in Sunday's final of the Japan Open.

Currently ranked No. 25 in the world after reigning as No. 1 from 1981-84, McEnroe was a convincing 6-2, 6-2 winner over Edberg, seeded first bere and ranked third worldwide.

It was McEnroe's first appearance in a tournament since he reached the quarterfinals at the 1987 U.S. Open. His last tournament victory came in Scotts-dale, Arizona, in October 1986. The winner of seven graad slam titles had been sidelined recently because of a back injury and a suspensioo for abusive on-court language

Ethiopian Sets Marathon Record of 2.06:50

ROTTERDAM (AP) — Ethiopian Belancy Densimo set a world record in winning a marathon here Sunday, covering the 42.195 kilometers (26 miles, 385 yards) in 2 bours, 6 minutes and 50 seconds. Densimo, 31, bettered the mark of

2.07:12 set by Carlos Lopes of Portugal in the 1985 Rotterdam race. Meanwhile, Henryk Jorgensen of Denmark (2.10:20) and Ingrid Kristiansen of Norway (2:25.41) woo the men's and women's divisions of the London Marathon.

Couples Ahead of Frost by 1 in Heritage Golf

HILTON HEAD ISLAND, South Carolina (AP) - Fred Couples shot a 3-under-par 68 to hold off South African David Frost and take a one-shot lead after

Saturday's third round of the Heritage Classic golf tournament. Couples finished 54 holes at 201, 12 under par. Frost, tied with Couples for the lead after two rounds, had a 69-202. Gil Morgan (69-204) birdied the last two holes to take over third place. Greg Norman (71) and Chip Beck (70) were next at 205.

MINE

For the Record

Perris Valley, a 7-year-old ridden by Brendan Sberidan, woo Saturday's Grand Nanonal steeplechase in Fairy-house, Ireland. The 12-1 shot moved LOAO BELAY MINE ENROLLEOUCATEO ROESSKATE CONSIDER YEOMAN ALIEN GATUNEVE BINO OUMASETAL AVE GREEK TRAIL, TETANY TINSELLY EVADE NEAT ahead of Captain Batnac in the closing strides to score by three-quarters of a

Risen Star edged Kootucky Derby favorite Forty Niner to win the Lexing-ton Stakes Saturday in Lexington, Kentucky. Jacinto Vasquez kept the son of Secretariat and winner of last month's Lonisiana Derby off the pace until the home stretch; timed in 1:44-4/5, Risen Star woo the 1-1/16-mile (1,710-meter) event by a head over For-(AP) ty Niner.

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SEAUTIFUL.

NEW YORK - Daddy, Daddy, can we go to another ball game real soon? I liked the hot dogs and the soda and the home run and the lights on the scoreboard, but what I really liked best, Daddy, was when the man in the blue uniform waved his arm and let the runner take the next base.

Gosh, that was fun. The fans yelled and the manager yelled and the players yelled. It was like playing Simon Says. When I grow up, I'm going to be a man in blue, too, so I can wave my

arm and let the runners move on. Baseball is the best spectator sport ever in-vented, but it has a marvelous tendency to shoot itself in the foot, like Inspector Clouseau on a case. The diuting of the strategic inner game by the designated hitter is well document-ed. Expansion has robbed the American League of rivalries by scheduling more games outside a division than within it.

Now we have the Great Balk Hula-Hoop Pet-Rock Frolics of 1988. And one can only shud-der about what will happen if these jokers get serious about interleague play: Boom - they'll

blow off their own toes. Maybe it's only a fad, like yo-yos or Nehru jackets, but the balk keeps getting in the way of the game. Two weeks into the season, the fans have become cooditioned to expect it. Balkmania could turn fans into moochers, freeloaders, wishful thinkers. No longer will they dream of a rousing double ioto the corner, a masterful hit-and-run, a drag bunt. Nowadays, with run-oers on base, they whine, "Balk!" Last winter, the powers in baseball urged the

unpires to enforce the balk rule, which calls for pitchers to make a full stop in the stretch position with runners on base. If you didn't have the balk rule, runners like Vince Coleman and Rickey Henderson could not add their dimension to the game. If the rule were not enforced with some consistency, pitchers, wily creatures that they are, would find ways to cheat.

But sending memorandums to umpires only invites them to follow orders with a vengeance. One remembers proud umps like AI Barlick calling balks — and probably legitimately — in the spring of 1963, naturally penalizing the least skillful of pitchers (who happened to be clus-tered on the woeful New York Mets). By Me-Manager Herzog is oot upset about the epimorial Day it was all forgotten, and recidivist pitchers went right back to their life of crime. "Give it half a rotten season," insists Whitey Herzog, the man who started this mass bysteria balk officer on during the 1987 World Series, complaining that in New York.

Baseball has a tendency to shoot itself in the foot, like Inspector Clouseau on a case. Diluting the strategic inner game by the designated hitter is well documented. Expansion has robbed the American League of rivalries by scheduling more games. outside a division than within it. Now we have the

Great Balk Hula-Hoop

Pet-Rock Frolics of 1988.

Bert Blyleven of the Minnesota Twins was committing a balk every time the St. Louis swifties reached first base.

"It was an indubitable joke," Herzog more or less said. "Everybody could see what he did. I mean, if you were playing the Cardinals, wouldn't you tell your pitchers, Blast it, cheat, they aren't going to call it anyway, and they'll steal second anyway? " (In Herzog's Stengehan syntax, the first "they" referred to umpires; the second "they" referred to his Cardinal runners.)

After Herzog's hectoring, umpires called two balls on other Minnesota pitchers, none on the Cardinals and the Twins won the World Series

In seven games, all or which proves — what Manager Herzog is oot upset about the epi-demic of balks — 136 in 122 games going into the weekend's games, compared to only 30 at a comparable point last year, according to the balk officer on duty at the Elias Sports Burean in New Vork

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in New York. The good news is that with all the emphasis on balks, Herzog has not had time to inspect Howard Johnson's bats for their fabled cork. linings. Of course, with Johnson hitting only .138 going into Saturday, why bother?

There will be plenty of chances for the Mets and Cardinals to get legalistic or snappish. All teams play each other 18 times in their own division in the National League, producing fives legitimate rivalries.

What Met fan can forget how the vibrant young Pirates terrorized the Mets last Septem-ber? Or what Mike Schmidt and Ozzie Smith have said about the darling Metropolitans?

The American League, with its cumbersome 14 teams and equal schedules, does not create the 14 teams and equal schedules, does not create the same intense familiarity. Now there is talk of interleague play, presumably because the insatia-ble masters of television want a new diversion. Tired of the same old pairings, television might pay a few more dollars for the first-ever regular-season meeting between the Yankees and Mets, to be shown on an obscure Thursday night.

Baseball, not having confidence in its own history, its own appeal, will listen to the Spor-tin' Life proposal. What the heck — a few extra-dollars — what can it harm? Only rivalries. Balance. Statistical measures.

Tradition.

The proper place for the Mets to meet the Yankees is in a World Series. Or in spring, training, if George Steinbrenner can get over his snit. Or in the dormant Mayor's Trophy Game, And in the imagination of New York fans. The end result of interleague play will be that

one day Met fans will wake up and, instead of playing the White Rat and the Cardinals, the Mets will be playing the Seattle Mariners, some thing to be avoided at all costs. But don't expect the people who run baseball to understand that, They're too busy riding ont balk-mania.

WORLD STOCKS IN REVIEW / Via Agence France-Presse House and Pe

ume in the stock quintupled.

Paris

Prices on the Paris Bourse posted a healthy gain last week despite a marked fall after, reports on the U.S. trade deficit and a sharp

reports on the U.S. trate dentitiant a simpli-rise in U.S. wholesale prices. The CAC index finished the week at 296.8, below the week's high of 305 at Thursday's close but up from 287.4 the previous Friday. Analysts said the solid Paris performance resulted from the return of foreign investors;

some good performances on other exchanges; especially in Tokyo; encouraging 1987 carn-ings reports; and an emphasis by French presidential candidates on the importance of helping business.

The auto sector was particularly strengthened by a sharp increase in French vehicle registrations during the first quarter.

Physeurite Oriceso Soutien Garces different Carlos HL HP3-Chicars Singapore Sellers dominated trading last week on the Singapore stock market, with the Straits Times. Industrial Index falling 14.1 points to close -Friday at 933.44. Average daily turnover was Ranired Raniev, Frank and Suche 191 15-and 67 Semily 19.06 million units. On the last day of trading Friday, the key market barometer lost a hefty 23.67 points, wiping out a gain of 9.57 recorded during the first four days. St. Louis New York Mathéws and I Gaulen, 3-0 L..... Circingali first four days. Tokyo Decimenti Bactan Anthinact. J., McGriet; Scott 1 Jabov, w....Rito. Jabov, w....Rito. Jamosev, w....we San Francisco San Diroo Remote: Montes Birm 161. Bocker Michael J. L...Grev Rep-Son Franco Dans, Paace + 11 Dans, Paace + 11 Prices on the Tokyo Stock Exchange contin-ued their advance last week, with the Nikkei, stock average, topping the 27,000 level Thurs-day before closing out the week at 26,893.57 points. It rose 144.68 points for the week. Trading was moderate, with about 922 mil-lion there changing hands daily against 1.22 hon shares changing hands daily against 1.22 billion the previous week. The value of stock traded averaged 1.062 trillion yea, down from 1.158 trillion. The Nikkci average lost a substantial 217.78 points Friday, its first drop in five sessions. The fall was triggered by tumbles Thursday on major exchanges because of the interpreting widening in the U.S. trade deficit in February. But many analysts said Friday's fall was needed to cool an overheated market. The Nikkei average had jumped 446.77 points the previous week 100 AD Martha Lamp 131 W-Khaos 20 L. Kasas (A) H0-Ti Kasas (B) A H0-Ti Kasas (B) previous week. From Monday through Thursday, the mar-ket barometer of 225 blue chips set a new record each day. Its finish of 27,111.35 Thurs-day marked the first time the stock average had topped the 27,000 level. The TSE composite index of all common stocks listed on the first section finished at 2,173.80 points. That represented a fractional Here we we have a second secon 0.34 point gain from the previous week. Analysts said the TSE index's small rise showed that high-priced stocks in the electric power, financial and telecommunications sec tors have not recovered their full strength since the October market collapse. The TSE index, hit a record 2,258.56 on June 11.

PEANUTS C New York Times, edited by Eugene Maleska WHAT ARE YOU DEBUSSY'S AFTERNOON

Solution to Friday's Puzzle

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LAST TIME

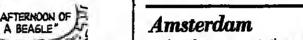
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WHAT THAT'S THE

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4-18



After a buoyant start to the week, sentiment on the Amsterdam Stock Exchange suffered a reversal Thursday on news of the big U.S. trade

deficit for February. The ANP-CBS general index finished Fri-day at 247.3, down from 249.6 the previous week. Volume for the week was 7.48 billion guilders, up from 6.027 billion guilders.

Frankfurt

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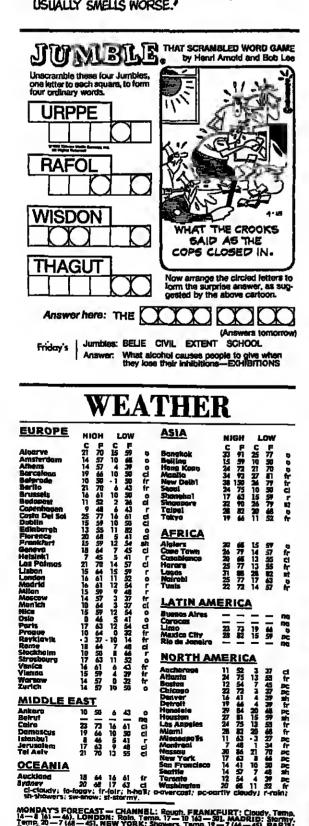
NO

Prices on the Frankfurt Stock Exchange closed lower last week, failing to maintain an early advance. Prices moved downward Thurs-day and Friday following a report of a big U.S. trade deficit, and the Commerzbank stock index finished Friday at 1,386.3, down 9.9 from the previous week's close of 1,396.2.

Volume on the eight West German stock markets almost doubled for the week to 14.19 billion Deutsche marks, against 7.58 billion the previous week.

Department stores were among the best per-formers, with Horten adding 2 and Karstadt 18. Autos were integular. Daimler was down 1 and Volkswagen fell 2.90 while BMW gained 13. Investors reacted negatively to major banks' announcements of mediocre results for fiscal 1987. Dresdner Bank lost 0.30, Commerzbank 5, and Deutsche 7.50

rather regularly, with Montedison adding 2.95 percent on foreign buying. Some massive purchases of Pirelli were made, and it closed 13.38 percent higher. Vol-



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Hong Kong The Hang Seng Index shed 20.92 points in active trading on the Hong Kong Stock Exchange last week. The indicator swung from its highest level since the October stock market collapse into an 85-point tailspin. The key market barometer finished Friday

at 2,598.95 points, against 2,619.87 a week earlier. The Hang Seng had risen 75.9 points the previous week.

Average daily turnover rose to 1.506 billion Hong Kong dollars from the previous 1.062

billion Hong Kong dollars. After a net gain of 16.07 points Monday and Tuesday, the Hang Seng rose Wednesday to 2,671.24, its highest level since October. Deal-ers said active trading was fueled by a solid performance on overseas markets. The upward move continued Thursday, with the index gaining 12.89 points, but it was cut short Friday when the Hang Seng plunged 85.18. Dealers said the frenzied selling was triggered by the sharp fall Thursday on Wall Street.

London

The London Stock Exchange had an ex-tremely irregular week, with shares buffeted by U.S. news. The Financial Times-Stock Ex-change index of 100 shares closed at 1,778.60,

barely changed from 1,779.70 a week earlier. The recent cut in British interest rates and firmer crude oil prices boosted sentiment Monday as the new trading account got under way. On Tuesday, the market was dull and closed slightly down, and there was a small rise Wednesday.

On Thursday, after a good start, the market turned sharply lower following publication of poor U.S trade figures, and the exchange re-corded one of its biggest falls since the beginning of the year.

On Friday, despite a cervous opening that saw shares marked sharply lower after Wall Street dropped by nearly 5 percent overnight, stocks trimmed some of their losses.

Takeover speculation surrounding Rown-tree benefited the food sector. Jacobs Suchard of Switzerland had grabbed a 14.9 percent stake in Rowntree during a dawn raid on Wednesday, and the British company's shares soared soared.

Major exporters, which had advanced at the beginning of the week because of a weaker pound, were again hurt by a fall in the dollar after publication of the U.S. trade data.

Milan

Prices on the Milan Bourse declined last week as trading focused on the big de Beas-detti and Ferruzzi-Montedison groups. The Comit index declined to 517.00, against 524.59 the previous Friday. Volume was an average \$160 million a day,

Volume was an average \$160 million a day, up from the previous week. De Benedetti group shares, especially Oli-vetti and Cofide, were popular early in the week, but the financier's failure to win control of Société Générale de Belgique SA on Thurs-day canceled much of the gain. Olivetti fin-ished the week 1.09 percent higher, and Cofide regimed 3.58 percent. Sobaudia leut a hefer 0.6 se gained 3.58 percent. Sabaudia lost a hefty 9.55 percent, and CIR 7.51.

Ferruzzi-Montedisoo Group shares rose

Zurich

The majority of Zurich issues ended the week higher as the market displayed resistance to the plunge Thursday on Wall Street. The Credit Suisse index ended the week at 455.6, use from 445.9.

Volume was low most of the week. The banking sector moved lower, as Union Bank of Switzerland lost 100 to 3,000 france, Swiss Bank Corp. 2 to 330, and Crédit Suisse 10 to 2.290.

Pope Urges Moderation In Business Acquisitions

Agence France-Presse VERONA, Italy — Pope John Paul II warned financiers on Sunday against urying to ensure "domination" by excessive purchases of holdings in other businesses. Speaking to a business group in Verona, northern Italy, the pope criticized a striving for "financial holdings making it possible to enjoy new forms of property that are ever more extensive and ever more dominating." A poll published Sunday in Italian newspa-pers showed that takeover fever has taken hold in the country. The survey said that 403 com-panies changed hands in Italy last year. It also noted that in March, there were 1,700 business mergers worldwide.

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SPORTS

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consider her case. In the interim, she may compete only in Britain.

The complex issue involves what many in the world athletic community see as Budd's reluctance to se- sial decision from the IAAF, and ver her ties with South Africa. She achieved at least two objectives for came to Britain four years ago and swiftly was given a Britisb passport that enabled her to compete in the 1984 Olympics in Los Angeles. But she became a British citizen only this month, which rankled some, and until two months ago she spent sev-

cral months a year in her homeland. Budd had waited for 10 hours in hope of appearing at IAAF meetings Friday, but was never summoned before the council. Samiday, she did not attend the session and spent the day in seclusion. She received word of the decision by telephone at her home in Guildford, Surrey, about 30 miles (48 kilometers) south of London.

The IAAF statement said: "It was clear that Miss Budd greatly exceeded the bounds of being a mere spectator at a cross-country meeting at Brakpan, South Africa. Not only was she there in her training gear, but she trained on and near the course in full view of the crowd and according to one British official, at one stage by her own admission South Alrica is the only member to actually ran alongside ineligible run-

ctals have manned. South Alrica is the only member to scarce U.S. down and the particular second by the second by the Budd was suspended by the Budd did not compete at meet but said it was "particular to support them." The IAAF council acknowledged that Budd did not compete at the meet but said it was "particularly concerned" by her "fraternizing, within a sporting environment, with

Swindell, Jones (11) and Allanson, Bonda (91: Margan, Schmidt (18) and Nichols, W-Swindell, 30, L-Schmidt, 61, Sv-Janes (21, California: 621 820 726-611 Seattle: 111 041 182-7 12, 2

California: L-scrimidt, 8-1, Sv-Janes (21, Seattle 821 820 978-6 11 1 Seattle 111 061 183-7 12 2 Froser, Buica (61, OlMichele (9), Moore (91 and Boons, Wynesar (7); Swift, Nunez (3) and Valle, W-Nunez, 7-0.L-Buica, DL, HRS-Cal-Ifornia, Wynesar (1), Seattle, Davis (2), Phelps (2),

NATIONAL LEAGUE

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SATURDAY'S RESULT

been extended for the 30-day period from a country which openly prac- broke the letter of the rule. Instead during which British officials will uces racial and other kinds of dis- it said, in part, "it appears to the crimination in open violation of council that Miss Budd, at the very IAAF principles and rules." Saturday's recommendation spirit of the rules of the IAAF."

shilted the pressure of a controverthat group: It appeased the powerful African bloc by suspending Budd from at least the Olympics in Seoul, and it relieved the IAAF of

legal culpability if she takes the matter to the British High Court. If the British choose to support Budd, whom they have vigorously defended in the past, they may cause of the high altitude and mild jeopardize the future eligibility of climate in some areas. all British athletes. Further, with The IAAF decision was welthe threat of being thrown out of the LAAF, the board has to consider its standing within that group. If the British accede and suspend Budd, then the appearance will be that she was sacrificed to save face. The board scheduled an emergency council meeting for next Sunday

to consider the recommendation, its spokesman, Tony Ward, said. "We are facing one of the most serious matters in the board's history, and it would be unwise to comment before the meeting," he said. "We have always taken the view that Zola did not break the rules, but now the IAAF has put a wider interpretation on them and that is obviously definitive."

At issue is IAAF Rule 53i, which says that no member may "take part" in competition in South Africa. In making its ruling, the council The international suspension has members of a suspended federation was careful not to say that Budd teresis. This may explain her con-

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15), Golden Stote 26 27 24 36-113 Partiand 5 38 41 31-147 Vondewegie 10-14 15-15 38, Drexter 10-13-3 23; Frank 7-11 67 20, Feitt 7-12 4-4 18, Re-bounds; Golden State 24 (Frank 6), Portiond 47 (Duckworth 131, Assists: Golden State 27 (Wade 81, Partiand 45 (Hollon 91.

SATUROAY'S RESULTS

LA Clippers 77 33 24 24-114 Golden Stote 77 73 29 29-112 Frank 15 7-11 23, Hospen 49 5-6 171 Nor-man 13-22 48 20, Cage 9-13 4-6 24, Rebounds:

Los Angeles 65 (Cope 21), Golden Stote 62 (Fronk, Whitebeod 121, Assists; Los Angeles 20 (Valentine 9), Golden State 20 (Frank 5),

least, has been in hreach of the As for the issue of taking part. the council clearly gave notice that the previous interpretation, which had meant actually competing, was no longer acceptable. Its decision significantly broad-

ened the interpretation of the participation rule and will set a precedent likely to affect other athletes. Many international runners are drawn to train in South Africa be-

comed by a London-based antiapartheid group, the South African Non-Racial Olympic Committee. It has led the campaign against Budd, Sam Ramsamy, the head of San-roc, described it as "a compromise

that fell short of what the Alricans duct, but it does not excuse it. The wanted, which was a total ban nn AAAC, ... looks to its brother fed-Zola Budd."

said that ousting Britain from the LAAF's constitution." IAAF was not an idle threat.

rules," said Diack, president of the pan meet prompted some African African Amateur Athletics Confed- nations to threaten to boycott last eration. "The AAAC understands that some people see Miss Budd as a young girl, with her life ahead of her. going through a confused and at

"It is also plain that she has been the competition. She has won the manipulated by South African in- world title twice. (LAT. UPI, AP)

Phils Loss 7th in Row, to Expos

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delphia Phillies, 5-2, and sent them to their seventit straight defeat.

Pascual Perez pitched seven innings, allowing four hits while striking out eight, to help the Expos sweep the three-game series. Andy their best start since 1966. They McGaffigan worked the final two have won five in a row. Hall, who went three-for-four with two doubles and an RBI, has 14 innings to get his first save, allowing no hits.

With the score 2-2, Herm Winhits in his last 30 at-bats. Baltimore's ningham led off the home fifth with Cal Ripken went zero-for-four; he is a single off reliever Bill Dawley hitless in his last 29 at-bats. and, two outs later, Galarraga hit his second homer this season. two runs in the fourth. The first Dawley came in when starter Da-

came on consecutive doubles by Javid Palmer, who homered in the top coby and Hall. Hall took third when of the fifth. left the game with a right fielder Joe Orsulak misplayed muscle spasm in his right arm before the ball off the wall and scored an the Expos' half of the inning began. Corey Snyder's sacrifice fly. Astros 5, Reds 3: In Houston.

Nolan Ryan struck out nine and his first major league hit, while Robin Yount and Rob Deer also broke a the with a two-run single eainst Cincinnati. Ryan, who has not pitched a com-

homered against New York. plete game since April 25, 1986, against Cincinnati, went eight in-Ted Higuera yielded only an unearned run in the third until Ronings, allowing seven hits. He got off berto Kelly got the Yankees' first extra-base hit, a one-out double in the ninth. Mike Pagliarulo followed to a shaky start when Barry Larkin hit the second pitch of the game for his first homer this year. with his third bomer this year.

With the score 2-2 in the second, Mark Bailey singled and Chuek Jackson doubled. Ryan then poked a single off shortstop Larkin's glove, scoring both runners, Ryan later scored on Danny Jackson's second balk of the inning. Indians 4, Orioles 1: In the

American League, in Baltimore, Mel Hall and Brook Jacoby each got three hits for Cleveland while the Brewers a 5-1 lead.

Compiled in Our Staty From Deputyhes John Farrell was holding the Ori-MONTREAL -- Andres Galar- oles to four hits for 813 innings, The Yankees' designated hitter. Jack Clark, struck out three times. raga drove in three runs with a helping extend their season open-He now has fanned in eight of his homer and a single Sunday as the ing losing streak to 12 games, one last 11 at-bats. Montreal Expos defeated the Phila- short of the major league record. Red Sox 15, Rangers 2: In Bos-

The Indians, who won for the 10n. Mike Greenwell drove in a 11th time in 13 games, are off to career high six runs with a homer, two singles and a ground out SUNDAY BASEBALL against Texas.

Rick Cerone, acquired as a free agent Thursday, had four hits and Jim Rice and Marty Barrett each had three of the team's 20.

Page 19

Staked to a 10-0 lead in the first two innings, Bruce Hurst breezed to victory with a four-hitter. He struck out eight and walked three The Indians broke a 1-1 tie with in his first complete game this year. Blue Jays 2, Twins 0: In Toronto. Mike Flanagan and Tom Henke held Minnesota to seven hits and Kelly Gruber figured in both runs as

his team ended a four-game slide. The Twins' Les Straker, who has Brewers 6, Yankees 3: In Milnot won on the road since July 9. waukee, Joey Meyer homered for allowed seven hits in seven innings. Tigers 8, Royals 6: In Detroit, Chei Lemon extended his hitting streak to all 10 Tiger games, driving in two runs and scoring twice

against Kansas City. Three of the Royals' four hits off Jeff Robinson were bases-empry homers, two by George Brett and Meyer's solo homer just inside the one by Jamie Quirk. Brett also right-field foul pole ended a 1-1 tie drove in a run, in the eighth, with a

in the fourth, then he doubled and singled. Yount and Deer hit their single and had three RB1. Brett's fourth-inning homer, his third this season, cleared the roof in homers, the fourth for each, in a right field, the first ball hit out of three-run fifth off John Candelaria. Tiger Stadium since Kirk Gibson did so against Milwaukee's Chris Candelaria was ejected from the game after he hit the Bill Schroeder Bosio on Sept. 10, 1986, Of the 22 in the back with a nitch immediatehomers hit out of the stadium, all ly after Deer's 430-foot homer gave but two were by left-handed batters.

Brewers Rout Yankees to End Slide; Orioles Lose Their 11th, in the 11th

Compiled In Our Staff From Dispatches MILWAUKEE - Greg Block hit a three-run home run and Robin Yount homered with one on Saiurday to help the Milwaukee Brewers end a seven-game losing streak major league record is 13, shared with an 9-2 victory over the New York Yankees.

Chris Bosio gave up both runs on four hits and three walks in seven innings. Chuck Crim pitched the eighth and Dan Plesac struck out the side in the ninth.

"h's a big win for us. We needed to get over the hump," said Bosio, who is 2-1. "I would have taken one City to six hits. run. It had been frustrating. We really hadn't played that badly." The Brewers opened the scoring on Brock's first home run this season, then made it 5-0 in the second inning when Yount drove a pitch 420 feet (128 meters) following a scored i single by Paul Molitor. have ju indians 1, Orioles 0: In Balti-games.

Twins 3, Blue Jays 2: In Toronio, more, Willie Upshaw singled Cory Gary Gaetti's homer for Minnesota broke an eighth-inning tie and handed the Blue Jays their fourth Snyder in from second base with two out in the 11th as Cleveland handed the Orioles their 11th loss straight defeat. The Twins had tied the score, 2-2, in the sixth when without a victory this season. The Gaetti led off with a single off re-liever Mark Eichhorn, moved 10 SATURDAY BASEBALL second on a grounder and scored

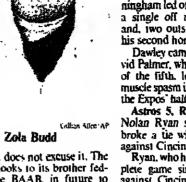
by the 1904 Washington Senators on Tom Brunansky's single. and the 1920 Detroit Tigers, White Sox 5, Athletics 1: In Oak-Tigers 4, Royals 2: In Detroit, Alan Trammeli led off the fourth land, California, rookie right-hander Melido Perez of Chicago held the with a homer and Doyle Alexander hard-hitting A's to three singles for and Mike Henneman held Kansas seven innings, striking out eight. Ken Williams drove in two runs

with a misplayed triple in the second inning as the White Sox won their Rangers 2, Red Sox 0: In Boston, Larry Parrish ended an 0-for-12 sixth straight at Oakland Coliseum. slump with a second-inning home Mariners 7, Angels 6: In Scattle, run for Texas and Paul Kilgus held the Red Sox to three hits over 8% Jim Presley's two-out single in the innings. The Red Sox have not ninth capped a two-run rally that ? ended California's four-game winscored in their last 18 innings, and have just 10 hits in their last three ing streak.

Dodgers 7, Braves 10 un the tional League, in Los Angeles, Pe-dro Gnerrero singled twice and doubled, driving in four runs, as Starling (Draw), Chaves doubled, driving in four runs, as Atlanta set a modern National League record with its 10th consecutive loss at the start of a search

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eration, the BAAB. in future to Africa's leading track official on adopt an attitude toward apartheid the IAAF council, Lamine Diack, in keeping with the spirit of the The furor over the allegations of

"The BAAB has to respect our Budd's participation in the Brakmonth's world cross-country championships in New Zealand had Budd been allowed to compete. Although she had qualified for the

x-Mory 1: St. Louis at Detroit April 19: Edmontion of Calegory April 21: Edmonton of Calegory April 22: Calegory of Edmonton X-April 25: Calegory of Edmonton X-April 27: Edmonton of Calegory X-April 27: Calegory at Edmonton claudia Kandyanisti Semifinalis Sobatini del. Graf, 6-3, 4-6, 7-5 TZ-IT DECESSORY) sch. 6-3 6-2

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 4) [W(6)pms 13), Askisks: Chicopo 19 (Vinceni 7), New Jorsey 17 [Airdsong 7). Milwoukee 29 19 27 16—91 petroit 24 27 21 29—92 Rodmon8-92-21 & Johnson 4-103-415; Sikmot 15-20 2-23, Pierce 7-13 5-3 19, Robeands: All-woukee 45 (Krystkowick 61, Detroit 53 (Ma-horn, Loimbeer 101, Assists: Milwoukee 19 (Lucot 5), Detroit 17 (Thomas 81. Boston 38 26 21 22—199 Character 17 22 28—170 1-0. L=-Mahler, 6-2. Sv-Pend (1). Philodeholds 610 600 600 610 1-2 6 8 Mantreal 960 600 610 1-2 6 8 K.Gross, Telaulve (10) and Porrish Smith Parrett (0), Burke (9) and Roed, W-Burke 1-0. L=-Tekulve, 6-1, HRS=-Philodekoho, Par-rish (3), Mantreal Watter (1) v. L-Tokune, 6-1. HRS-Philodetobio, Por-rish (3), Monimeol, Nefiles (1). Lacous 31, Dentor 17 (Tracing of ... Boston 32 54 21 22-199 Cleveland 33 24 29 34-129 Dougherty 15-22 14-10 44, Harrer 11-19 0-10 38; Bird 14-25 24 30, Parson 7-12 4-4 19, Re-bounds: Baston 43 (Porish 9), Cleveland 38 (Dougherty 91, Assists: Baston 26 (Aird 8), Chardiand 25 (Marter 6). San Pictoria (1990) (1990) (1990) (1990) San Diego 090 (1991) (1992) (1990) Dravecky, Price (8), Robinson (8) and Mei-vin; Whitsan, Dovis (8) and Santiasa, W-Davis, 14, L--Robinson, 1-1, HRS-Son Fran-cisco, Clark (3), San Diega, Kruk (2). (Doupinerty 9), Assists: Boolon 26 (2017) Claveland 25 (Harber 4), Atlanta 25 15 27 21 13-162 Philodothibia 21 19 23 27 11-161 witking 13-28 10-13 36, Rivers 7-12 3-5 17; Barkley 4-15 15-16 27, Robbraon 11-26 1-2 23, Rebounds: Atlanta 53 (Levingstan 10L Philo-detphic 55 (Grahasti 10L Assists: Atlanta 24 (Rivers 12), Philodelphic 22 (Checks 01 Washington 24 26 24 33-106 Major League Standings defhilite Altins 13-28 10-13 Sterv 4-15 15-16 27, Robitss... Sounds: Atlanto 53 (Levingstan 10L r... Aphilo 55 (Gminski 10L Assists: Atlanto 24 Rivers 12), Philodelphilo 22 1Checks 01 Washington 24 25 43 33-066 New York 25 21 36 25-77 J. Atolone 11-21 5-527, M. Malone 9-21 5-6 25; Jackson 0-23 9-10 25, Ewins 2-16 34 19, New man 7.18 34 19, Rebounds: Washington 101... I.M.Acione 11. New York 50 1E wine 111. As-tists: Washington 20 (Jannson 01, New York 20 Jackson 101. "Thoms" J. Atolone 11. New York 50 1E wine 111. As-tists: Washington 20 (Jannson 01, New York 20 J. Jackson 101. "This 25, Berry 10-16 44 24; This 7.4 21. Re-The York 57 (Ewine 13), Atlanto 25 New York 57 (Ewine 13), Atlanto 25 New York 57 (Ewine 13), Atlanto 25 Milkins 12.29 -10 33, Withman 1-12 3-17, Re-The York 57 (Ewine 13), Atlanto 25 New York 57 (Ewine 13), Atlanto 25 New York 57 (Ewine 13), Atlanto 25 This 1.19 7-8 21, Re-Thoms 10. The York 57 (Ewine 10), Atlanto 20 (Webb 6). AMERICAN LEAGUE LEADOTE fision . W L PcL GB 10 2 J53 -7 2 J18 5 4 J556 31/2 6 5 J41 31/2 4 7 J44 5/2 3 7 J00 6 0 11 J00 9/2 vision West Division W L Pct, GR 6 4 .600 ---4 5 .545 Vz W L PC, City 6 4 .600 4 5 .545 5 5 .500 5 5 .500 5 5 .500 5 4 .655 Ng 4 5 .444 NATIONAL LEAGUE Deal Division 112 East Division W L Pct, GB 7 3 .700 -ITALIAN FIRST DIVISIO 3

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FRENCH FIRST DIVISION SECOND-ROUND SCHEDULE SI. Etter ne 3. Monoco 0 Marsellie 4, Lens 1 arest 1, Cannes 0 Auxerre 1, Le Hovre Lille 1. Bordeaux 0 Nontes 0. Paris-Saint Germain 0 Nontes O. Paris-Sali Metz O. Montpellier Nice J. Toylouse Q Motro Racing 1, Niort 1 Laval 8, Toulon 3 Points: Monaco 44: Ba

600x 39: M Racing 38; Marsellie 37; Montpellier, Si Eilenne 36; Auxires 35; Toulan 33; Metz 32; Montes, Cannos 31; Loval, Liffe 30; Niori, Nice 29; Lens 28; Pariz-Si, Germoin, Toulouse 27; Brest 26; Le Hovre 22. WEST GERMAN FIRST DIVISION Kaiserslautern 1, Baver Leverkusen 3 Warder Bremon 3, Homburg 0

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nich, Cologne 37: Stuttgart 36: Nuremberg 33; Borussia Mänchengladbact: 27: Bayer Lever-Borussia Manchengladbach 29; Barer Lever-tusen, Hamburg 28; Elnirocht Frankfurt 26; Hanover 25; Karlsruhe 24; Borussia Dari-

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6,500 at the Las Vegas Hilton. knockout by Starling last August in Columbia. South Carolina. Both fighters are from the United States.

In another title bout on the televised doubleheader, Julio Cesar Chavez of Mexico retained his WBA lightweight (itle by stopping Rodolfo Aguilar of Panama in the

sixth round. It was Chavez's 57th victory in as many fights and his 48th knockout.

nund, Waldhol Mannheim 23: Bochum, Bo ver Werdingen, Kalserslaulern 21; Scholke 20; Hamburg 19.

ENGLISH FIRST DIVISION Arsenal C. Watterd 1

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BASRBALL BASRBALL America Leosue BALTUMORE—Activated Kan Gerhart, outfielder, from the 21-day disabled list. Re-called Jim Traber, first basemon-outfielder, from Rochester of the International Leogue. Placed Jim Devers, outfielder, no Placed Jim Devers, outfielder, no Porchaiter, to

DETRDIT-Placed Wall Terrell, pitc with the Loke on rehobilitation assignment with the Lak land Tigers of the Florida State League. NEW YORK-. Optioned Jay Buhner, out lieider, to Columbus at the Internationa

Victor, and American Association, National Largue CINCININATI-Pioced Buddy Bell, Ihird beaman, on the 15-day disabled list, Recalled Llayd McClendon, third baseman, Iram Nash-vite of the American Association, 'HOUSTON-Pioced Loomi-HOUSTON-Ploced Joganin Andular, plicing, on the 21-day disabled list, Recailed

Emie Comocho, pitcher, from Tuscon of the Pacific Coast League. PhiladeLphila-Placed Jeff Cathoun, plicher, on the 15-day disabled ist, Oplianed Todd Frohwirth, plicher, to Naine althe International League, Recalled Still Dawley and

Gree Horris, Pilchers, Irom Moine, PODTBALL Notional Paribali Leogue MIAMI-Signed Aric Anderson, linebacker, and Detrick Thomas, fullba COLLEGE nos, fullbock

BIOLA-Announced the resignation of Howard Lyon, basekball cooch, effective of the end of the semester, Named Dave Holm-

ulai basketball cooch. HOLY CROSS—Named Rod Baker assistant basketball couch. KANSAS—Named Garv Schwartz track and field and cross-country couch. METRO ATHLETIC CONFERENCE— Moreo Dale Smith desistant director. MOUNT ST. VINCENT—Announced the restanation at Bob Annunziata, athletic direc-

PENN STATE-3EHREND-Nomed Jen-epher Crowford women's boskatboll coch. WEST GEDRGIA-Fired Rober Kolser. othistic director, but announced he will re-main as basketboll cooch. Named David Dugen octing official couch, karred Dovid Di-gen octing official director. WHITWORTH—Nomed Juliens B. Strasson

women's boskulboil coach and ass

Keep Their WBA Titles

Compiled by Our Staff From Dispatches Breland, 24, seemed to control the LAS VEGAS -- Marlon Starling second half of the fight. Jugde Jerry Roth scored it 116retained his World Boxing Association welterweight tille with a 12-113, Starling, while Steve Moretti favored Breland by 115-114. Elias Quintana saw it 114-114. A chamround draw against Mark Brehand here Saturday night, a decision that pion keeps his title on a draw. was roundly booed by a crowd of

Starling looked sharp in the first four rounds, but although he kept Breland had been a 2-1 favorite moving forward as the fight drew to regain the 147-pound [66.5-kiloon, in many rounds he seemed regram] title he lost on an 11th-round luctant to nunch.

In the final three rounds, Breland finally started to throw his right more, although it was anything but the punch that had helped him score 73 knockouts as an amateur.

Chavez knocked down Aguilar with two rights to the head with seven seconds left in the first round and stayed in control unul the end, although his taller, left-handed opponent fought well and at times "In the first couple of rounds, I felt very stale," said Breland. "I couldn't put my punches together, but I got made the champion look awkward. But a minute into the sixth round, a right to the bead sent Aguilar face forward to the canvas

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better, and I thought I outpunched him in the last three rounds." in a neutral corner. He rose at the Starling, 29, was the aggressor count of five, but referee Richard Kruk bomered of and hander puncher throughout. But Steele stopped the bout. (AP, UPI) with Fittsburgh.

utive loss at the start of a season. The previous record was held by four teams, including the 1919 Braves, the 1962 New York Mets and, most recently, the 1983 Houston Astros.

Mets 6, Cardinals 4: In New York, Gary Carter's two-run bomer in the eighth beat St. Louis, then Howard Johnson, who had 36 home runs last year, hit his first of 1988

Reds 8, Astros 2; in Houston, Erie Davis went three-for-five, driving in two runs and scoring two for Cincinnati

Pirates 4, Cubs 0: In Chicago, Doug Drabek pitched a five-hitter and R. J. Reynolds hit a three-run homer for Pittsburgh.

Expos 2, Phillies 1: In Montreal, Tom Folcy singled Andres Galar-raga home from third base with one out in the 10th, giving Philadelphia its sixth straight loss.

Minnesota right fielder Tom Brunansky had a rough fifth in-Padres 2, Giants 1: In San Diego, pinch hitter John Kruk led off the ning Saturday, misplaying Juan Beniquez's blooper for a threeninth with a home run off Don base error and then (above) mis-Robinson, beating San Francisco. judging Kelly Gruber's drive, It was the Padres' first pinch-hit which was good for a triple. But bomer since July 10, 1987, when Brunansky had an RBI single to Kruk homered off Robinson, then (UPI, AP) belp the Twins nip Toronto, 3-2.

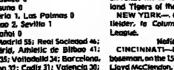
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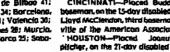
CAPITALIZING - Dale Hunter beat goalie Ron Hextall 5:57 into overtime to give Washington a 5-4 victory over Philadelphia in the seventh game of a first-round Stanley Cup series Saturday in Landover, Maryland. Hunter took a pass from defenseman Larry Murphy at the red line; skating in alone, he deked once before putting a wrist shot past Hextall. Only the fifth team in NHL playoff history to overcome a 3-1 series deficit, the Capitals will face New Jersey in the Patrick Division finals, which start Monday night.

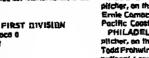
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Jonathan Miller, Highstepping at the Old Vic

International Herald Tribun

 $L^{\rm ONDON}$ — There are times when Jonathan Miller envies the puissance of the more glamorous European stage directors and the vast sums they can command. On the other hand, he reflects. there can be too much glamour and gloss; "That's one of the risks of European theater, that it is deadly chic. You feel you're at the spring collections." in Paris

MARY BLUME

the most talked-about productions tend to be put on in hard-to-reach and intensely uncomfortable centers on the outskirts of town.

"It's a sort of totalitarian egalitarianism," Miller says. "Audiences go through this act of humiliation dressed in Balenciaga. It's an act of chic in its own right ---chic poverty, chic renunciation.

"In London the director is never assigned the role of monstre sacré that he is in Europe. Strehler is allowed to do anything he wants to, Ronconi spent something like three-quarters of a million dollars on a production. Here the director is treated more as a journeyman -- 'Come on, Dr. Miller, you can't do that." In fact, Dr. Miller does much as he

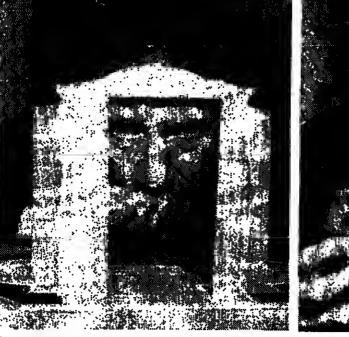
pleases. In his first season as artistic director of the Old Vic he has chosen what he calls "a random selection of plays which emphasizes perhaps European plays that don't figure in the English repertoire."

They include a rarely performed version by Brecht of "The Tutor" by Jakob Michael Reinhold Lenz, a contemporary of Goethe; a Jacobean tragedy by George Chapman that seems never to have been performed at all, a 19th century comedy by the Russian playwright Alexander Os trovsky, and Miller's second go at "The Tempest" (his first, based on a French book called "Prospero et Calihan," viewed the play in the light of 19th century colonialism).

Miller hegan his Old Vic season with a slangy modern translation of Racine's "Andromaque," which he now thinks should have been subtitled "From Racine: A Version." He says that "Andromaque" interests him because, with its interplay of passions but no demonstrahle action, it is so far removed from British drama.

"This sort of diagrammatic theater is something which the British ought to be exposed to," he says. This sort of remark sets British teeth on edge.

Miller is a brilliant high-stepper in the land of muddle through: a little too clever, too informed, to be totally accepted. He is often referred to, dismissively, as a Renaissance man,



Doctor and director Miller: back in the theater after a couple of years off working in neuropsychology.

He had just taken a call in his Old Vic

office from an anxious woman who had

morning on television, and his voice was

soothing and precise. His other interests

allow him to take a long view in the self-

"If it doesn't work, then I'll become

regarding world of the theater.

are worse things than that,"

theater.

"It's a sort of glih phrase for someone who does more than you would normally expect people to do, who can do two things at the same time or two things one after the other," he says. "In England it is the mirror image of another phrase which called Dr. Miller. is 'jack-of-all-trades,' so that it has built into it condescension and disparagement. Miller I know I'm in trouble, I know I'm "I'm usually called jack-of-all-trades at the beginning of some satirical attack. by people who are scarcely jacks of one." Dr. Miller, though — it's a title you've earned that never leaves you. Yes, I think Miller, who used to be red-haired and gawky, wears scholarly tweeds set off by of myself as a doctor who works in the fine socks ringed in many colors and

bought to help a charity. Riding for the Disabled. He turned down a chance to partner Beatrice Lillie in order to continue his medical studies at Cambridge, and only when he had his degree did he go onstage and make history in "Beyond the Fringe," the 1961 revue that was de-scribed as "the moment when English comedy took its first decisive step into

the 20th century." Now one of Britain's most successful and controversial directors of plays and opera, be is back in the theater after a couple of years off to work in neuropsychology and to co-author a case study of anoxic dementia. He has a shelf of medical books in his Old Vic office but it is clear that he has

had to abandon the illusion that he can It's a question of trying your hand up to the point where you can't take the condi-tions any more. If the conditions start to keep up with his medical specialty while working in the theater. "It's very hard, I get frustrated," be says, for once not interfere with what you think is worth expanding his remark. He likes to be doing, then you say goodbye. I'd rather lecture or teach." "When they call me Dr. Jonathan

There was talk that Miller recently said goodbye to a Los Angeles production of "Tristan und Isolde" designed by David Hockney, leaving the job after a week. Miller says a week was all that was need-

"The important point is that there isn't all that much to do in 'Tristan,' "he says. "The directing consists of saying after about half an hour, 'I'd move to the left if seen him talk on Alzheimer's disease that I were you or people will fail asleep.' I shouldn't have done it in a way because ? disapprove of it as a piece of drama. And also Hockney designed the set without regard to what I wanted as a director. I

poor and that's all right. In the long run, was really not much more than a butler," the worst thing there is failure and there Miller is just back from Toronto, where he looked in on his production of N.F. Simpson's play, "One Way Pendu-lum," which opens later this month at the His intrepid curiosity is often taken as reckless, his independence as conceit. He Old Vic, and from Los Angeles where he

is extremely sensitive to criticism but staged "The Mikado" with his "Beyond unlikely to modify himself because of it. "As long as people accept my things and let me do them, I go on doing them, the Fringe" colleague Dudley Moore as Ko-Ko.

"The Mikado" is Miller's first crack at Gilbert and Sullivan. "I just feit there was something mischievous that could be done with it," he says. He set his produc-tion in the 1930s and based it on the Marx Brothers film "Duck Soup."

Like a family snapshot, a photograph from "The Mikado" is stuck to the wall, next to one of his production of "Tosca," which he did all in black and white, set in Fascist Rome in 1943, and based on the film "Open City."

He also staged a famous mafioso "Rigoletto" and his "Don Giovanni" was inspired in part by some naughty genre paintings on the staircase of the Cognacq-Jay Museum in Paris (a frequent visitor to Paris, he is unlikely to take inspiration from the Musee d'Orsay. where he says the Impressionists look as if they are under house arrest. The building, he adds, looks like a post-modern Père Lachaise).

Miller is not disturbed that his unorthodox productions offend opera buffs. There are always complete idiots who are actually members of the congregation rather than audiences, for whom changing a thing is tantamount to altering the hturgy.

"That's because they don't understand what a performing art is, that it's an art that renews itself by virtue of the fact that it has to be reproduced. There is no canonical way of doing it: A text doesn't change hy being reprinted, hut a theatri-cal work unavoidably gets changed by being redone.

Opera and the stage are two theatrical modes be goes between. "Opera is just another form and people are singing or caterwauling rather than talking. And it's wonderful when the music comes togeth-er with the libretto, it does things which are completely impossible in the spoken theater. But after three or four months of people singing, I long to say come on, just say what you've got to say and get on

with it." He prefers to work without what be alls "helium-inflated stars" and he likes calls ' Britain's provincial opera companies. "Covent Garden," be says, "has become just a sort of place where prestigious things pass through. It's like the VIP lounge at London airport."

Miller has made one feature film, has published several books and talks a good deal on television as well as directing special programs and plays. He is off to Glasgow shortly to direct Bernstein's "Candide" and then be will do his second "Tempest" at the Old Vic. Before that, he says, he must nip up to Manchester for TV: "I've got to interview some people about God."

Indicting Indictors By William Safire

against, to accuse. Comes now the special prosecutor Lawrence E. Walsh with an in-dictment of John M. Poindexter, ture of a supranational asthority. Oliver L. North, Richard V. Second and Albert Hakim, the Iran-contra gang of four."

legal prose?

1. Verbasity: The indictment refers to "covert action activities"; labor with the fact that they why "activities"? The use of "co- learned Latin at Winchester." why "activities ? The use of the fearned Latin at whichester." rain, then showers.)

of his committee when set as a pronoun, it is con-on one page of the indictment is used alone as a pronoun, it is con-concealing a program to continue the funding of and logistical and used before the verb, as it is here as: other support for military . . On the same page is "including the chairmen, a plural construction support of military . . ." I prefer support for in these instances be- low. cause the support is material, not

pbysical. 2. Detours from parallel construc-tion: "the defendant North had given military advice to the Contras, had knowledge of specific military actions conducted by the Contras, ent. Elsewhere in the data and had contact with John K. Sing their is unclear. "Together with laub within the previous 20 that official of the CIA, and in had had contact with John K. Sing-laub within the previous 20 months, had raised funds in support of the Contras, had advised and guided Robert W. Owen with respect to the Contras, and had had frequent contact with Owen." Although the document shows

consistency in verb tenses through the most convoluted sentences, in this instance the series of past-per-fect verbs has a sore thumb sticking out. The past-perfect tense uses had and a past narticiple to show action completed (or state reached) before a specific time in the past. Here we see had given, had had, had raised, had advised, had guided — all fine. Bat — clunk! — had knowledge.

That should have been had known. 3. The effect-affect trap: High marks must be given the indicters for properly choosing the infrequently used verb to effect. This verb is not affect ("to act on, to move"), but "to bring about, to accomplish," as in "to effect the

objects thereof." 4. Jargon: "the defendant

created and maintained a lo-gistical infrastructure for the enter-NEW YORK - Indict is a prise." Infrastructure is one of the strange verb; it looks as if it terms dear to the hearts of burger to be bearts of bearts o ("against") and dictore ("to dictate, work, setup, or even the month-order"); to indict is to speak filling but understandable administrative organization. Winston Churchill dended an

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been introduced into our current How does this indictment rate as political parlance by the band of

intellectual highbrows who are nate urally antious to impress British

of his committee." When each is self is a self

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bunch of guys? oded the s 6. Synonymy: "the defendant quest, not . . and others known and me known to the grand jury. unlawful ly, willfully and knowingly dida combine, conspire, confederate and agree together and with esta-

other to defraud the United States of America." Jaili That certainly sounds like legal esc. as in those wills that say your

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